PROPOSED VETERANS' ADMINISTRATION BUDGET FOR FISCAL YEAR 1985

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
HOUSE OF REPRESENTATIVES

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PROPOSED VETERANS' ADMINISTRATON BUDGET FOR FISCAL YEAR 1985

WEDNESDAY, FEBRUARY 8, 1984.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C.

The committee met, pursuant to notice, at 9:10 a.m., in room 334, Cannon House Office Building, Hon. G. V. (Sonny) Montgomery (chairman of the committee) presiding.

Present: Representatives Montgomery, Edgar, Hall, Leath, Shelby, Mica, Dowdy, Martinez, Evans, Kaptur, Mollohan, Penny, Staggers, Rowland, Slattery, Richardson, Hammerschmidt, Wylie, Solomon, Burton, Sundquist, Bilirakis, and Johnson.

OPENING STATEMENT OF CHAIRMAN MONTGOMERY

The CHAIRMAN. The committee will come to order.

This morning we are delighted to have with us Harry Walters, the Administrator of Veterans' Affairs, and members of his staff, to review with us the proposed fiscal year 1985 budget.

Mr. Administrator, I want to congratulate you on the success you have had thus far with the Office of Management and Budget. I know, by talking to different persons in the White House, that you have certainly gone to bat for the veteran for the 1985 budget. I want you to know that we certainly appreciate your speaking up for the veteran with the administration and also with OMB.

There are two or three items which I would like to explore this morning. First, the budget does not propose to fund the Emergency Veterans Jobs Training Act in fiscal year 1985. I am very encouraged by the action of what has happened under the Jobs Training Act. We are putting people to work, and also vocational education is being used by the veteran under this bill. But I think we should discuss it because it was not recommended for funding for 1985.

Second, a reduction of some 800 employees in the Department of Veterans Benefits is also proposed. Part of that recommendation is made based on the Grace Commission recommendations. We look forward to hearing from you about how the agency will be able to absorb such reductions.

Finally, the budget would appear to provide little, if any, increase for outpatient treatment. A survey we conducted last year clearly shows the need to expand outpatient treatment capacity. In fact, as I talk to these veterans across the country—and Mr. Edgar could comment further on that—they prefer to go home and stay

in their own homes at night and outpatient treatment is what they prefer. So we look forward to your report today.

The Chair would like to recognize Mr. Hammerschmidt at this time.

STATEMENT OF HON. JOHN PAUL HAMMERSCHMIDT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS

Mr. HAMMERSCHMIDT. Thank you, Mr. Chairman.

I have had the opportunity to review the President's Veterans' Administration budget submission for 1985. It calls for $27.3 billion in budget authority for veterans benefit programs and to run the agency. On balance, I am pleased with the President's request.

There are matters of concern, of course. The omission of a request to fund the veterans jobs bill in 1985, the request to again have a delayed effective date as to the compensation increase, the omission of the Baltimore and Philadelphia hospital construction projects, the omission of a new national cemetery for northern California, a controversial loan guaranty proposal, and the rather large reduction in personnel for the Department of Veterans Benefits, are all subjects that can and will generate differences of opinion and arguments will be made that restoration of funds should take place.

But, Mr. Chairman, the budget also contains funds for two compensation increases for service-connected veterans, their dependents and their survivors. Pensions will increase. There are funds for a 15-percent increase in GI bill allowances. The budget modestly increases the funds for the Department of Medicine and Surgery. The construction budget calls for over $800 million. Research is also up, particularly in the field of rehabilitation. All in all, Mr. Chairman, I think when one notes the tremendous fiscal problems of our country, and the restraints these problems compel us to observe, that any reasonable person must conclude that the President's proposed budget for veterans for 1985 is fair and equitable.

Mr. Chairman, we are about to hear the testimony of the distinguished Administrator of Veterans' Affairs and his staff. These are the people who put the VA budget request together and submitted it to the President. Its clarity and its obvious justification was generally accepted. Of course no one can expect that every request will be allowed. There are always some disappointments and some good programs fall out in the give and take of the budget process. But in the exercise of his best judgment, the President had to be generally very impressed with the VA's budget submission.

In my opinion, the witnesses soon to be heard deserve the commendation of this committee, the Appropriations Committee of the House, and the House itself. They also deserve the general commendation of the veterans' world as expressed by the various veterans organizations. I am confident that such commendation will be forthcoming as the representatives of these organizations testify this morning.

Thank you, Mr. Chairman. I look forward to hearing the distinguished Administrator and each of the witnesses.

The CHAIRMAN. Thank you, Mr. Hammerschmidt.

Mr. Edgar.

STATEMENT OF HON. BOB EDGAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. EDGAR. Thank you, Mr. Chairman.

I, too, have reviewed the fiscal year 1985 budget for the VA, particularly as it pertains to medical care. As chairman of the Subcommittee on Hospitals and Health Care, I am pleased to note that 10 new nursing home care units will be opened in the Bronx, N.Y., Dallas, Tex., Denver, Colo., Fresno, Calif., Washington, D.C., Seattle and Spokane, Wash., Wichita, Kans., West Los Angeles, Calif., and Salt Lake City, Utah. This will help to meet the demand for nursing home care placed upon the VA health care delivery system by our rapidly aging veteran population. Two new outpatient clinics will also be opened in Daytona Beach and Pensacola, Fla.

Mr. Chairman, as you know, my subcommittee held a series of six field hearings in each of the VA's medical regions last year. We heard testimony in each of these regions that limited funding resources and staff allocations are seriously constraining the VA's ability to meet the increased demand for ambulatory outpatient care. The fiscal 1985 budget submission does not adequately respond to the projected demand for inpatient and outpatient care that our hearings foretell. In our deliberations on this budget submission, we must attempt to insure that there are sufficient funds to meet the increased demand for care. In my questioning I will focus primarily on the issues relating to hospitals and health care as a result of our hearings, and I hope today in our discussions we can clarify some of those issues.

I am very concerned, also, about the fact that the fiscal year 1985 budget contains no funds for the clinical addition and nursing home construction project in Philadelphia which the Committee on Veterans' Affairs authorized last year. I have been advised that these funds were included in the VA's original budget submission to the Office of Management and Budget and that OMB deferred all funding for the project. Since the Philadelphia VA medical center provides tertiary care to veterans from eastern Pennsylvania, southern New Jersey, and Delaware, and the VA's own space and functional deficiency identification system identified Philadelphia as the third worst medical center in the VA system—and yet it is ranked the 13th most complex of the 172 medical centers—I am completely baffled by the removal of this project from the fiscal year 1985 budget.

Additionally, as is presently designed, the project can only proceed due to the availability of adjacent land which has been donated by the city of Philadelphia. The city council, in donating 12 acres to the VA for this project, placed a restriction on the gift, stating that the land would return to the control of the city if the VA had not proceeded with construction by December of 1986. We all know that the purchase of land for this project would add very substantially to the cost of the project, which is another reason I am dismayed at the action of OMB. I would remind the committee that a larger, more expensive hospital facility in Camden was deleted several years ago, probably appropriately, given the fact that there was overbedding in the whole metropolitan area and the need for a brand new hospital probably was not needed. But in this

case, it is not a brand new hospital; it's the renovation and reconstruction of an existing facility, an additional nursing home and outpatient facility that is very much needed.

I want to commend Mr. Walters for his aggressive actions in trying to include those funds in the budget, and I want to indicate that that is one of the areas I will be pursuing.

I hope we will be advised as to the rationale behind the decisions made by OMB in a number of categories, including this particular facility, and I look forward to the opportunity at the appropriate time to question the specific budget areas in the hospital and health care area.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

The Chair would like to inform the members that we would like to move this hearing right along and give all members the opportunity to question the witnesses. We do have the Veterans' Administration, and I will recognize Mr. Walters in just a moment, and right after that we will have a panel of the different veterans organizations. So we do have two panels of witnesses this morning.

The Chair would recognize Mr. Walters.

STATEMENT OF HARRY N. WALTERS, ADMINISTRATOR OF VETERANS' AFFAIRS, ACCOMPANIED BY EVERETT ALVAREZ, JR., DEPUTY ADMINISTRATOR; CONRAD B. HOFFMAN, DIRECTOR (CONTROLLER), OFFICE OF BUDGET AND FINANCE; DONALD L. CUSTIS, M.D., CHIEF MEDICAL DIRECTOR; PAUL T. BANNAI, CHIEF MEMORIAL AFFAIRS DIRECTOR; DOROTHY STARBUCK, CHIEF BENEFITS DIRECTOR; AND MILLIE HUGHES-FULFORD, M.D., RESEARCH CHEMIST, VA MEDICAL CENTER, SAN FRANCISCO, CALIF.

Mr. WALTERS. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I am grateful for the opportunity to appear before you today to discuss the Veterans' Administration 1985 budget. I would like to have my formal statement inserted for the record.

The CHAIRMAN. Without objection, it will be printed in the record.[1]

Mr. WALTERS. Thank you.

Mr. Chairman, I assumed my position as Administrator of the VA just over 1 year ago, so this budget is the first that reflects my personal views concerning the benefits and services we provide for our Nation's veterans. As such, I am particularly pleased to offer this budget and have the opportunity to explain the goals and initiatives which lie behind the figures. Were it not for the President's commitment to the veterans of this Nation, and the Veterans' Administration commitment, I am certain we would not have been treated this favorably in these times of constrained budgets.

As you know, the VA is a very large and diverse organization. When I moved into the agency's top position I was more than impressed with the multitude of programs and benefits administered by the VA. The size and diversity of this organization and its pro-

[1] See p. 51.

grams presented a formidable challenge. How was I to harness all those programs and make them run effectively and harmoniously to offer the best possible service for our veterans.

The answer to this challenge was rather straightforward: Establish teamwork, a clear set of goals, and a strategy to achieve those goals. Clearly, the general mission of the VA is to serve the veteran population, but I felt that the development of more concrete agency goals and objectives was critical to effective VA management. My Deputy, Everett Alvarez, and I met with the three department heads to negotiate a clear set of goals for the entire agency and more specific goals for each department.

This process was somewhat difficult, as forms of self-evaluation must be when they are done fairly. But we did define our agency and department goals, and we included our staff personnel in the process, too. Not only did we share the final product with members of this committee, we made sure that every VA employee was made aware of these goals. I wanted each individual in the organization to see the whole picture so he or she could relate the overall agency's objectives to his or her own function. This communication with our employees continues today through written messages as well as TV tapes, so our people are aware of the key issues facing the VA and our thoughts on those issues.

The process of formulating this budget had already begun when I became Administrator, but as the budget has taken shape, I have insisted that the departments and staff offices insure that their individual requests help us move toward the achievement of our mutual goals.

I know that the VA faces many challenges in the coming years, and I am confident that we are now moving in the right direction to meet those challenges. But we cannot hesitate and we cannot allow ourselves to be perceived as lacking the will or the foresight necessary to overcome the very difficult issues with which we are faced. I believe the initiatives which make up this 1985 budget must be implemented in order for us to maintain our progressive stance in caring for our veteran population.

The largest portion of our budgetary requirements continues to be our benefits programs. Overall, our request of about $15 billion for such programs represents 58 percent of the agency's total budget. Although most of this is allocated to our ongoing caseload of payments, we are moving forward in a number of other important and far-reaching areas. We have initiated a legislative proposal which is included in the budget to increase the GI bill benefits by 15 percent. The GI bill, as we all know, has been one of our Government's most effective programs, and I strongly believe that our veteran trainees deserve this rate adjustment.

The Emergency Veterans' Jobs Training Act of 1983 was enacted last year through the efforts of this committee and this Congress. This program offers us another tool to assist in the hiring and training of long-term unemployed Vietnam era and Korean conflict veterans. Although we are not asking for additional funds in 1985, we expect to support 20,000 trainees in 1984 and 1985 through this program and we already have a benefits delivery mechanism in place. We have approved over 43,000 veteran applications and have begun making payments to trainees.

With the economy improving, and more Vietnam veterans working, hopefully we will not need to continue the program in 1985. Congress has directed that we assess this program, and should we find it to be successful, I will not hesitate to ask for more funds.

I believe we can also further veteran employment opportunities by increasing public awareness of the veteran employment programs. Thus, we have established a Committee for Employer Support of Veteran Employment to encourage private sector initiatives in the hiring of veterans. The committee's efforts will be limited to those of an information-sharing, promotional nature. We believe, however, that utilizing such resources as speaker bureaus, corporation employment directors conventions, and TV and radio public service announcements, will help to educate the public on the needs of veterans. This will indeed promote the employment of veterans, particularly the Vietnam era veterans.

Our budget also includes proposals for cost-of-living increases for the recipients of our compensation and pension program benefits to insure that these benefits continue to offset the effects of inflation. More significantly, we have included initiatives to improve the communications network within the Department of Veterans Benefits so we can improve our responsiveness to our veteran clientele.

For your information, I have directed the Chief Benefits Director, Miss Dorothy Starbuck, to contract with a respectable management firm in order to provide her with a work measurement system which can be understood and which can be supported by all of us. Until that work is complete, DVB remains a target. I believe she can do her job with the people requested in this budget; if not, as we testified last year, we will not hesitate to ask for an increase.

This committee is acutely aware of the veterans' issues which demand our attention. I would like to discuss some of them very briefly with you this morning.

Special needs—for example, aging veterans, Vietnam veterans, female veterans, and former prisoners of war. One of our great responsibilities in the VA is to identify these areas of special need and take necessary steps to meet them, sometimes even to anticipate those needs. I would like to discuss briefly how this budget does that.

In the 10-year period from 1980 to 1990, the number of veterans over 65 will escalate from 3 million to over 7 million. By 1990, two-thirds of all American males over the age of 65 will be veterans. It is not surprising then that one of the major challenges facing the VA today is that of the aging veteran. We will be required to respond to the needs of the aging veteran 10 to 15 years sooner than the Nation will face a comparable demand for medical services from other elderly Americans. I am proud to be a part of the pioneer spirit that has gained the VA a worldwide reputation as a leader in the field of geriatric-related care. To meet the challenge of the aging veteran a rechanneling of energies is required to insure our continued commitment to excellence of health care for all eligible veterans.

We are installing an extremely sophisticated resource management system which will hold down our health costs and enhance the management effectiveness of our medical care system. We have established a number of centers for both research and training on

aging and geriatric problems, involving community and State organizations. These centers have a variety of programs for patients with chronic conditions associated with aging. To insure sustained quality geriatric care, we have made an additional investment in the future by establishing a fellowship program in geriatrics for physicians to staff geriatric evaluation units at our centers.

In 1985 we will continue to emphasize care for the aging. We will be addressing issues on noninstitutionalized care, aging research, and chronic and long-term care. Our aim is to help the aging veteran maintain the highest level of independent function.

Under the auspices of the Deputy Administrator, a comprehensive agency plan on aging is being developed and will soon be made available for this committee's review. This plan will outline specific strategies for meeting the needs of the aging veteran in a responsive, responsible, and compassionate manner. I believe the VA's experience with the aging veteran will benefit all Americans and that the VA will be America's touchstone as aging becomes a national issue in the 21st century. I am confident that with your support the resources we have requested for the Department of Medicine and Surgery will assure that the VA remains at the forefront in the provision of health care for all eligible veterans.

We have devoted a lot of effort, Mr. Chairman, to the readjustment problems of Vietnam veterans. The benefit programs which I already summarized virtually serve all Vietnam-era veterans. Our GI bill rate increase proposal and the jobs program are aimed specifically at them. We are also requesting funds to allow vocational training expansions for certain veterans under the GI bill program.

The readjustment counseling program has also been designed to meet the special needs of the Vietnam-era veterans. This program has received much publicity, both positive and negative nature. I believe it has had a very positive impact on the readjustment difficulties faced by Vietnam veterans.

Recent involvement of female veterans testifies to the value of this program in meeting their particular needs as well. The number of visits to the vet centers has been increasing and the veterans I have talked to are pleased with the service they are receiving.

In addition, we are developing two studies to further examine the readjustment counseling program. The first will analyze posttraumatic stress disorder and related conditions. The second will evaluate the continuing readjustment problems of Vietnam-era veterans and design plans for resolving those problems. We will keep you apprised of our progress on these studies and provide you with formal reports upon their completion. I support the vet center program.

Agent orange is another challenge related to the Vietnam experience which continues to demand our immediate attention. This has been a highly controversial and emotionally charged issue. We are making every attempt possible to gather reliable factual data on agent orange to respond to the concerns of our veterans. While the medical community remains divided on the question of agent orange and long-term illness, research in this field is ongoing and the VA itself is involved in a number of studies to assess the causality between agent orange and certain cancers. To keep con-

cerned veterans and their families abreast of agent orange issues, we are issuing periodically a publication entitled "Agent Orange Review" which provides current information on agent orange research, legislation, and the status of ongoing studies in the field. We have also initiated a series of monographs designed to provide useful scientific information on environmental factors that have or may have had an impact on the health of military personnel serving in Vietnam.

For 1985, agent orange research has been designated a high-priority initiative and our budget request contains $4.4 million for this purpose. The centers for disease control is also committed to research in this area and has requested $8.6 million in 1985.

The treatment of female veterans is another significant challenge which confronts the VA. In the last decade, there has been a dramatic surge in the number of women in the Armed Forces. There are currently 1.2 million female veterans, representing 4.2 percent of the total veteran population. It is predicted that female veterans could represent up to 12 percent of the total veteran population after 1990. I have committed the agency to integrate female veteran needs into our plans and operations on a priority basis. All planning for construction and renovation of medical facilities, including nursing homes and domiciliaries, will address the issue of adequate privacy for female veterans. In addition, a number of studies scheduled for the near future by my staff will also include in their scope the issue of female veterans.

We have already implemented a number of initiatives. For example, a nationwide survey of female veterans is being conducted to establish baseline data for the current population of female veterans and to estimate future support requirements. The Bureau of the Census has altered its procedures for collecting information about veterans. The question regarding veterans status will now be asked of adult females in a household as well as adult males. We have established an Advisory Committee on Women Veterans in recognition of the growing impact of female veterans upon current and future plans for veterans service. The committee will consult with the Administrator of the VA on the needs of female veterans with respect to health care, rehabilitation benefits, and other VA programs.

The VA has made significant strides forward in our capability for treating these female veterans, including the provision of outpatient care for gender-related disorders. We are very much aware of and sensitive to the contribution female veterans have made to this country and we intend to redouble our commitment to meeting their needs in 1985 and thereafter.

I would like to address for a moment, Mr. Chairman, the special needs of former prisoners of war. The VA is deeply concerned with the problems of the prisoners of war. During the past 18 months, we have made a concerted effort to enhance our data base on POW's. Working closely with the service organizations and the media, we initiated an Outreach campaign to help identify the POW's who are unknown to the VA and invited them to come to us for assistance.

An Advisory Committee on Former Prisoners of War has been established to advise the Administrator on the administration of

benefits of veterans who are former prisoners of war. This includes needs such as compensation, health care, and rehabilitation. The committee has made a number of recommendations which have been implemented by the VA. These include funding of additional research and administrative regulatory changes designed to promote sensitive and compassionate adjudication and treatment for former POW's. In 1985 we will continue to improve our POW system of records to enable the Departments of Medicine and Surgery and Veterans Benefits to serve the special needs of former POW's.

In conclusion, Mr. Chairman, these highlights represent the most challenging and most controversial issues before the VA. I want to reiterate the need for the aging veteran plan because the VA's future medical care and construction programs are dependent on its completion.

I am very proud of the people who make up the VA, Mr. Chairman, and I would like to take this opportunity to recognize two of these exemplary individuals today.

First, Dr. Michael Woods is a physician at the VA Wood Memorial Medical Center in Milwaukee, Wis. Dr. Woods is also an accomplished speed skater. He has qualified recently for the 1984 Olympic team and at this very moment may be representing the United States in the speed skating competition.

Dr. Woods' devotion to his profession is equally noteworthy. Arriving at the medical center one morning this past January, only hours after having won his Olympic trial race, Dr. Woods successfully delivered a premature baby under life-threatening emergency conditions. Needless to say, we are doubly proud of Dr. Wood as part of the VA team.

Second, and not lastly, Dr. Millie Hughes-Fulford is a research chemist at the VA medical center in San Francisco. She is not only one of our finest employees, but one of our finest Americans. Dr. Fulford's research has been focused on hormonal studies which have brought her national attention. In fact, her expertise is so widely respected that Dr. Fulford has been selected as a member of the All Life Sciences Space Lab flight scheduled for January 1986. Mr. Chairman, I am very proud to have her here today and to introduce her to you formally.

The CHAIRMAN. We would like to have her stand up, please. [Applause.]

Mr. WALTERS. Mr. Chairman, I cannot deny myself the opportunity to tell you, as part of her background, and part of her present and her future, is the fact that she is a captain in the U.S. Army—and I emphasize Army—Reserve. [Laughter.]

The CHAIRMAN. If you would yield the floor, we would be glad to hear from her if she has a comment. I don't know whether you want to go that far or not.

Mr. WALTERS. Well, we shared a "Beat Navy" sticker this morning and it really turned out all right.

Dr. Wood and Dr. Fulford represent only two of the thousands of outstanding and dedicated VA people who are working on behalf of all of our veterans. With people such as this on our team, I am truly proud and confident that the VA is moving in the right direction.

One other group I would like to commend today is our Nation's veterans service organizations who do such a magnificent job for our veterans. We have open and honest communications with them at the VA, not always agreeing, but at least exchanging views. Their counsel to me has been professional and effective and will continue to be welcomed.

Through this budget, the President has once again emphasized his strong commitment to help veterans, and we at the VA stand ready to carry out that commitment.

Mr. Chairman, this concludes my opening statement. Your staff has asked that perhaps it might be appropriate for Mr. Hoffman to present an overview of the budget for 4 or 5 minutes. If you wish, he is prepared to do that.

[The statement of Administrator Walters appears at p. 51.]

The CHAIRMAN. First let me say we are very proud of Dr. Woods. He will be skating in Yugoslavia. He is on the Olympic team, as I understand it. We're very proud of that and the Veterans' Administration ought to play it up.

Dr. Fulford, we are very glad to have you here today. If you have any comments or anything you would like to say, we would be glad to hear from you.

Dr. HUGHES-FULFORD. It is a pleasure to be here today and to meet everyone. I would like to thank the VA in particular for supporting my research over the last 10 years, and I would like to say that the VA research is among the finest in the entire world.

Thank you.

The CHAIRMAN. Thank you very much. We agree with you. You have a winning team around you today, Mr. Walters. Sometimes we might take advantage of our positions of overseeing the VA staff, but you certainly have some capable people working with you and we appreciate it.

Some of the members will have to leave before we probably get a chance for them to ask questions. I would prefer the members to stay as long as they can. We are going to move it along very quickly.

Mr. Hall of Texas wanted to comment but I think he had to leave. Is there anybody else who, in maybe less than a minute, would like to say something? The Chair would recognize any member who would like to make a comment right now and who might have to leave.

Mr. BILIRAKIS. Mr. Chairman, I have an opening statement I would like to enter into the record. I will save any opening comment in the interest of time.

[The statement of Michael Bilirakis follows:]

OPENING STATEMENT OF HON. MICHAEL BILIRAKIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

I want to join the chairman and my colleagues on the committee in extending our appreciation to VA administrator Harry Walters and to the various service organizations for their presentations today on the proposed Veterans Administration budget for fiscal year 1985.

At this time of year, we hear a lot about appropriations requests and budget functions, and our attention seems to be consumed by figures and tables and numbers. Well, Veterans Benefits and Services may be "Function 700" in the federal budget, but in my view, they are "commitment one" when it comes to setting the nation's

spending priorities. No other group of beneficiaries is more deserving of federal funds than our veterans, and this is an important point to be kept in mind as Congress begins its work on the 1985 budget.

In that light, I am, in general, pleased with the VA's request of $27.2 billion to fund veterans' services and benefits, which have been earned through service and sacrifice in defense of this Nation's freedom and security. The $1 billion increase over the fiscal year 1984 request reflects a commitment ot maintaining and improving the care and services we provide to veterans and this is as it should be.

However, I think there is reason to be concern over certain aspects of this budget proposal. I have been hearing a great deal of citicism, for example, over the proposal to eliminate further property acquisitions by the VA due to foreclosures under the home loan guaranty program. Fortunately, we will have an opportunity to receive the full range of information on this proposal when the Subcommittee on Housing and Memorial Affairs, on which I serve, holds its hearing on this subject on March 15.

I know that all the presentations here this morning will be of great help to us and I regret that I will not be able to stay to hear all of the veterans representatives speak. However, I have reviewed your testimony and I will certainly be working closely with your organizations, as will the entire committee, throughout this budget process.

The CHAIRMAN. Thank you, Mr. Bilirakis.

The Chair would like to thank the members for coming over yesterday to the Senate for the joint hearing we had. We had very good attendance, excellent attendance.

I would say an overall review of the budget, maybe 5 minutes, would be helpful. Then we will let members ask questions.

OK, Mr. Walters, you may proceed with whoever you would like to cover the budget.

Mr. WALTERS. Mr. Hoffman is going to cover that, Mr. Chairman.

Mr. HOFFMAN. Mr. Chairman, you and the members have before you a series of viewgraphs which we presented earlier.[1] I will take you through them very quickly.

First of all, we are looking at a 1985 budget which will increase by nearly $1 billion to a level of $27.3 billion in 1985.

The average employment on the next viewgraph indicates an increase in this agency of 2,231 full-time equivalent employment. Notably, the increases are primarily in the Department of Medicine and Surgery which is increasing by approximately 2,900 FTEE. We do reflect a decrease in the Department of Veterans' Benefits of 800 FTEE—and I will get into that in a few moments.

On the next chart we indicate this budget has in it also a request for the 1984 supplemental of some $301 million. Included in this is $128 million for a pay raise increase, and program supplementals of $173 million. There is a request in here for a pension increase of $102 million as a supplemental, and for readjustment benefits, some $52 million, and medical care of some $15 million. An additional request is in here also for general operating expenses of $4 million, making that total once again as a program supplemental $173 million.

You have before you a proposed legislative package for $662 million in 1985. This request includes a 3.5-percent rate increase in compensation, which is currently before Congress, In addition, we are proposing a 4.3-percent increase for 1985, effective April 1 of 1985, which has an impact of $206 million. The total cost in this budget, if those two rate increases were enacted, would be $527 mil-

[1] Viewgraphs presented by the Veterans' Administration appear on p. 56.

lion in 1985. As indicated earlier, there is a 15-percent increase for readjustment benefits, amounting to $133 million, and there is also under general operating expenses a request to increase State approving agency reporting for allowances from $7 to $11, and from $11 to $15. The request is $1.6 million.

We turn now to the individual accounts. In compensation, the request is $10.3 billion, an increase of $349 million over 1984.

In the next chart on pensions, the request here is for $4 billion, an increase of $66 million, including the supplemental requirement I referred to earlier to $102 million in 1984 and the automatic rate increase included in 1985 of 4.3 percent, amounting to $101.5 million.

On the next chart we show the request here for burial benefits. This is going up a million dollars to $142 million in 1985.

In readjustment benefits, although this account is coming down as the veterans are reaching their delimiting date or educational requirements, we do include $133 million for the 15-percent rate increase and do have a $52 million supplemental in 1984 as well. Even with a rate increase, this account is still going down by $172 million from the previous year.

In general operating expenses, this account is increasing by $34 million. However, employment is being reduced by 684 FTEE to a level of 19,500.

On the following chart we show the Department of Veterans Benefits. Here, although the dollar request is increasing by $6 million to $495 million, there is a reduction of 800 FTEE to a level of 13,500. There are two initiatives that I would like to point out to the committee, which are as a result of the Grace Commission study, and propose a 368 FTEE reduction and approximately $10 million. One is in the claims processing improvement and the other is in the housing policy on loan guaranty.

Let me point out at this time that this budget proposal does eliminate the property acquisitions following foreclosures, refunds to preclude foreclosures, and repurchasing of sold loans. Additionally, vendee loans will be discontinued on properties remaining in the VA inventory, which is to be sold as quickly as possible. There is one other area here worth pointing out. This account does reflect annualization of the pay raise and other payroll increases of some $18 million.

In the Department of Memorial Affairs, this, too, is going up $3 million, with an increase of 25 FTEE to a new level of 1,218 full-time equivalent employees.

Finally in that account, under general administration, the increase is $24 million, with an increase here of 91 FTEE. The Board of Veterans' Appeals has 35 FTEE for the purpose of adding two additional board sections. There are funds in here for providing an increase for the Inspector General of 15 FTEE, to be able to reduce the time sequence in its audits. General Counsel has an increase of 10 FTEE, and last, the Office of Data Management has an increase of 22 FTEE with three new ADP initiatives.

We turn now to the medical care account. This is increasing $563 million to a new high level for the agency of $8.8 billion, and an increase of 2,747 FTEE. Mr. Edgar pointed out the fact that we were going to provide for 10 new nursing homes and 2 outpatient

clinics. In addition, we show an increase in patients treated of almost 5,000 additional, and we show outpatient visits of 79,000 over the previous year. We also provide for one additional geriatric research, education, and clinical centers to be added, which will bring the total number of centers to 10.

In the research account, we show that there are funds provided in 1984 and 1985 columns for the centers of disease control study on agent orange. After making allowance for those two increases in the budget, the research budget still reflects an increase of $20 million and 155 FTEE over the 1984 level. The request for research provided other than the CDC agent orange study, is $184 million.

In medical administration, there is an increase of $6 million and 16 FTEE.

In the grants for construction of State extended care facilities, we are asking for $35 million in 1985, which is an increase of $17 million over the previous year. Legislation is being proposed to eliminate the one-third limitation in which grants to any one State may not exceed one-third of the amount appropriated in any fiscal year.

In the construction program, at a level of $822 million, we are increasing by $291 million over the 1984 level of $531 million. Here, Mr. Chairman, you will note that we also have indicated a higher level in 1985. The initial request submitted in the 1984 budget did provide for a Minneapolis project of $254 million and $9 million for Cleveland. This was eliminated from the 1984 budget by Congress and added to the 1983 budget as a supplemental.

Notably, in this construction program, we would like to point out that an additional $120 million is being made available through the working reserve account. While we show an $822 million request here for an appropriation total, we are actually looking at a $942 million construction budget for the year 1985.

I would like to point out on our next chart that there are funds in here for replacement and modernization of some $78 million to provide for site preparation and acquisition at Allen Park, Mich., design for replacement of the hospital at Augusta, Ga., design for replacement of the Houston, Tex., hospital, design and site preparation for the Mountain Home, Tenn., hospital, bedtowers and renovation, and last, design and phase I construction for the New York hospital for additions and alterations.

We are adding $51 million for nursing home projects. We have $21 million for research and education in this budget. In outpatient improvements, $134 million covering six major construction projects. We have $29 million for electrical improvements, and $92 million for fire and safety, an area that is always of concern to this committee.

In general projects, there is $25 million covering projects to modify wards at Albany. There is money in here also for seismic corrections. Other improvements that I would like to point out to the committee, that we have in this budget for the first time, is a request for design funds to be able to speed up the processing of necessary paperwork and get the projects in the pipeline much sooner than we currently are able. Last, there is a sizable increase in this budget of $236 million for clinical improvements.

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Finally, let me point out, Mr. Chairman, one of the concerns of this committee has been the absorption of the pay raise. As I indicated earlier, we have a supplemental request for $128 million for a pay raise in 1984. I want to point out to the committee that in the case of the medical care appropriation there is no absorption in that account for the 3.5-percent increase. In other words, the absorption we show here is for health increases and social security, but the supplemental does provide for full coverage of the supplemental requirement in the medical care appropriation.

That, Mr. Chairman, concludes my remarks.

The CHAIRMAN. Thank you, Mr. Hoffman, for a job well done. It is a tough situation to cover the budget that quickly. Thank you very much.

Mr. Hammerschmidt.

Mr. HAMMERSCHMIDT. Thank you, Mr. Chairman.

Mr. Walters, I would like to get two comparisons. Briefly, I would like to know how you compare this budget with previous budgets of the Veterans' Administration. Then, after that, would you please compare your medical budget in terms of constant dollars with previous DM&S budgets since 1975.

Mr. WALTERS. This budget, in comparison, in total, to the budgets the VA has submitted over the last 10 years, in real 1975 dollars, has now bottomed out. That is to say, in 1976, VA's budget in real dollars was $18.7 billion. In 1980, it was something like $13.5 billion. I don't have those precise numbers, but it was some $5 to $6 billion of a real dollar decrease in the VA's total budget.

Since that time, from 1981 to 1985, including this budget, we have virtually held our own and have had very little growth in real dollars as measured in 1975 dollars.

Now, in terms of the Department of Medicine and Surgery, that budget continues, when measured against inflation, to be decrementally budgeted. If that's the question, the answer is clear.

If we are to continue over a period of years to have a budget which is decrementally budgeted in the Department of Medicine and Surgery, when compared with inflation in the private sector, it means two things. One, that in my view the VA must be managing itself pretty well, or two, as Dr. Custis points out so much better than I, that there must have been some fat in there someplace. I kind of suspect it's a combination of the two.

So I think as we look to the future of the Department of Medicine and Surgery, the geriatric plan that I have asked Dr. Custis to prepare for me is going to be very helpful to this committee and to me in judging just how we're going to budget our resources for the future of the Department of Medicine and Surgery.

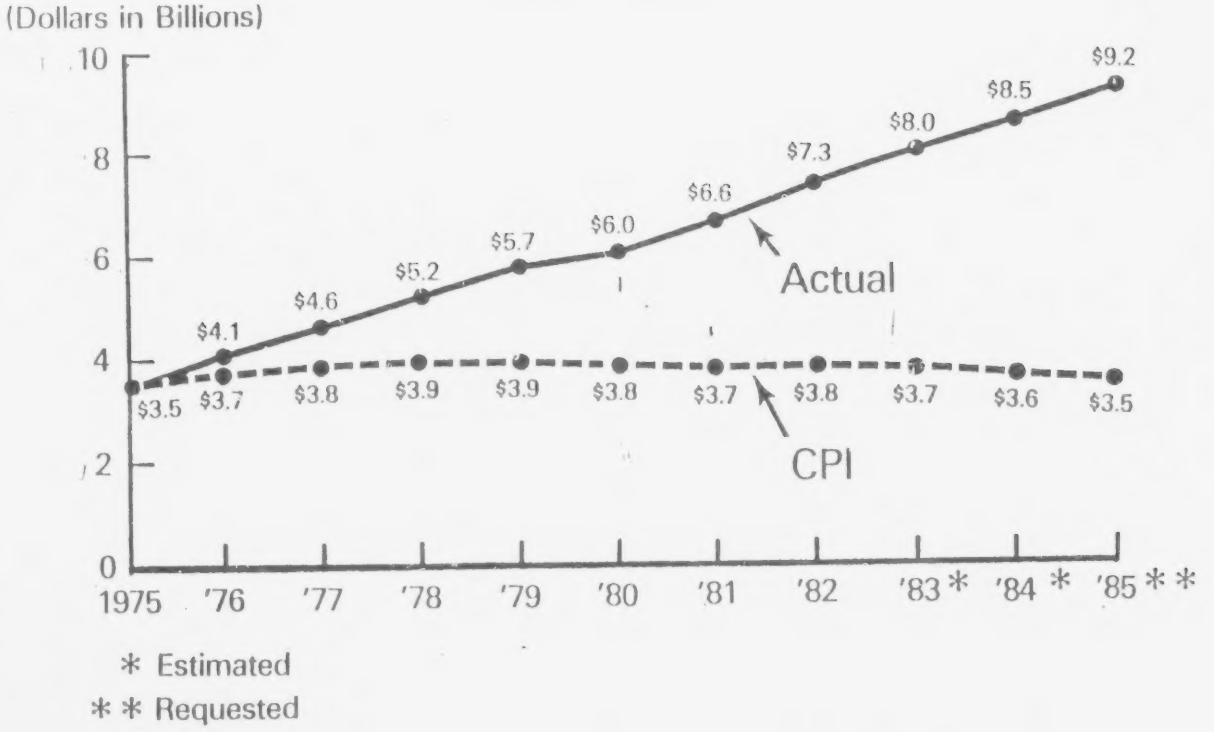
Mr. HAMMERSCHMIDT. I think it would be helpful to the committee and to the record if we put in it a graph showing that decremental budget in constant dollars into our hearing record at some point. If that could be provided, Mr. Chairman. I think it would give a clear picture when you read the hearings of what is happening to the DM&S budget in terms of constant dollars.

Mr. WALTERS. We have those charts, Mr. Chairman.

The CHAIRMAN. Without objection, it will be submitted.

[Subsequently, the Veterans' Administration furnished the following information:]

Comparison of Medical Programs
Actual Budget Authority to CPI Adjusted
1975 - 1985



* Estimated

** Requested

Mr. HAMMERSCHMIDT. Mr. Walters, I understand the loan guaranty proposal for foreclosed houses is now on hold for further study and that there will be a supplemental request to restore the 136 employees and the so-called suggested savings. I didn't hear Mr. Hoffman mention anything about that.

Could you give me the current status on that?

Mr. WALTERS. The question again, Mr. Hammerschmidt?

Mr. HAMMERSCHMIDT. I understood that the guaranty proposal for foreclosed housing, the suggested so-called savings is on hold for further study, and that perhaps there will be a restoration of 136 slots that the budget shows, as well as the restoration of the so-called savings.

Mr. WALTERS. Mr. Hammerschmidt, the policy which was discussed is a policy which would prohibit all Government agencies in the loan business from acquiring a foreclosed home. The agreement I have with the budget review board of the executive branch was that this policy would be, indeed, Government-wide and would be consistent.

Now, having said that, it seems as if we're having some difficulty in developing that consistency between the different agencies. Lacking that consistency, this Agency will submit an appropriation to handle its revolving fund to acquire homes and to continue doing business as before, including the employees.

Mr. HAMMERSCHMIDT. Thank you.

I can't speak for the committee, but I expect there is a pretty widespread feeling that this may involve a false savings and also it may not be good Government policy. We will be seeing what happens in that area.

Mr. Bannai, what is the possibility of a new veterans cemetery in northern California?

Mr. BANNAI. Mr. Hammerschmidt, we included funding in the 1985 budget to purchase land in northern California for cemetery purposes but it was deleted in the budget process. We are doing an indepth study of whether the regional concept that we have been trying to implement will meet long-range burial needs. That study, which should be completed this spring, should give us a good handle on whether or not we are adequately providing service in all areas with large veteran populations, northern California happens to be one of those areas.

After completion of the study, we will then take the issue up and see if we should establish cemeteries in those particular areas where the regional concept may not adequately serve veteran needs at the present time. This study will also address the adequacy of the State cemetery grant program in meeting long-range burial needs.

Mr. HAMMERSCHMIDT. Thank you.

The CHAIRMAN. Thank you, Mr. Hammerschmidt.

Briefly, Mr. Burton has to leave. The Chair will recognize the gentleman from Indiana for a comment.

Mr. BURTON. Thank you, Mr. Chairman. I had a question of Mr. Walters and the VA.

The CHAIRMAN. Well, if you have a question, you will have to wait in line.

Mr. BURTON. All right, fine. I'll wait.

The CHAIRMAN. The Chair will have to run it like that.

Mr. Sundquist.

Mr. SUNDQUIST. I yield, pass.

The CHAIRMAN. You want to yield to Mr. Burton, then?

Mr. SUNDQUIST. I'll be glad to.

Mr. BURTON. Thank you, Mr. Chairman. Thank you, Representative Sundquist.

I had some mortgage bankers come in to see me about a week ago and they asked about the question that Mr. Hammerschmidt alluded to a moment ago—that is, the repossessed houses. You were going to have a rule or regulation which would make those institutions retroactively responsible for selling those houses rather than having the VA sell them. It would seem to impose an extreme hardship on a number of mortgage lending institutions around the country if that were to take place. I want to just give you that opinion and ask what you plan to do.

They loaned that money based upon the then rules and regulations of the Veterans' Administration.

Sometimes, if it's a VA approved loan, they will take a marginal risk which they would not have otherwise taken on a conventional loan basis. If you make this retroactive, I think you're going to be putting a lot of mortgage lending institutions who do a lot of VA lending in jeopardy. I would just like to get your comments on that.

If this is still in the study stages, what I would like to do is find out who in your organization is going to be responsible for the study. At the proper time I would like to sit down with them, after I have studied this further, and maybe have a little bit of input into the process.

Mr. WALTERS. Mr. Burton, Miss Starbuck is in charge of our VA home loan program. I am sure we will be delighted to sit down with you. I believe you will have time to do that. The agreement between agencies is not imminent, in my view.

As far as mortgage bankers are concerned, I have found in my study of the VA home loan program that it would be a very complex arrangement, that the clarity of what we are discussing is not necessarily on the table from the mortgage bankers point of view, or from the Government point of view. I would be happy to discuss that with you later, and Dorothy Starbuck, I am sure, would be pleased to as well.

Mr. BURTON. The one other thing I would like to follow up with—and maybe I can talk with you later about this, Miss Starbuck—is the sales procedures. FHA, when they repossess a home, they have a closed bidding procedure. I am not sure exactly how the VA handles that. But you were talking about some consistency with all governmental agencies and that might be one avenue you could explore, because I understand that has been a pretty successful way of rolling these houses over. They perhaps are not getting everything that they're worth while getting them back into the system. But it has been relatively successful.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Burton.

Mr. Shelby is going to have a hearing in his subcommittee on this home loan guaranty program and look into the matter. Also, I

have written a letter to Mr. Walters about my concern on the question you brought up today.

Mr. BURTON. Mr. Chairman, when he has that subcommittee meeting, I would like to be made aware of it.

The CHAIRMAN. Any member can attend the subcommittee meeting.

Mr. SHELBY. Mr. Chairman, I will be glad to notify the gentleman. I know he has an interest, as all of us do, and I will notify him and do want him to participate.

Mr. BURTON. Thank you very much.

The CHAIRMAN. Mr. Hall of Texas was here and he had to go to a meeting. He will probably get back, but he was here.

Mr. Bilirakis has left. Mr. Dowdy of Mississippi, my own State, has left.

Mrs. Nancy Johnson of Connecticut.

Mrs. JOHNSON. Just to pursue the same subject, because I think all of us are receiving communications from our constituents about this matter, is it fair to say we can expect no change in that program for at least 6 months?

Mr. WALTERS. I think it is fair to say that.

Mrs. JOHNSON. Would it be fair to say that there will be no change for a year?

Mr. WALTERS. I don't think it's fair to say that. [Laughter.]

Mrs. JOHNSON. Thank you.

The CHAIRMAN. Thank you, Nancy.

Lane Evans of Illinois.

Mr. EVANS. Thank you, Mr. Chairman.

Mr. Walters, you indicated that you are planning two studies of the readjustment status of Vietnam era veterans. Can you tell us how much the studies are going to cost, where the funds are going to come from—the general medical account, the research budget—or do you intend to take the funds from the excess moneys available from the readjustment counseling program?

Mr. WALTERS. Mr. Evans, I would like to ask Dr. Custis to answer those questions specifically for you. He has the data, I am sure, in front of him.

Dr. CUSTIS. The epidemiologic study focusing primarily on the need for readjustment counseling, will begin in the current fiscal year. There had been no specific funds appropriated for this purpose. Rather, it will be funded out of the medical care appropriation. It is estimated that this year the cost will be less than $1 million. The study is expected to take 3 years, and the estimated total cost is expected to be approximately $3 million.

Mr. EVANS. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Lane.

Mr. Mollohan, the Chair recognizes you next. You got credit for being at the joint hearing yesterday. We confused you with Mr. Staggers, and we know better. But we did correct the record.

The Chair recognizes the first gentleman from West Virginia, Mr. Mollohan.

Mr. MOLLOHAN. Thank you, Mr. Chairman. I always want to correct the record, but in that situation you could have just gone without a correction. It would have been all right. [Laughter.]

I would like to add my voice to the chorus here today expressing concern over the mortgage default policy of giving to the lender the property and having them sell it. Mr. Edmiston of the DAV, who I believe will be testifying here this morning, estimated that this new policy by the VA may cost $4,500. This is not a savings, which as I understand it, is the intent of the new program. It will instead be a cost to the Veterans' Administration. I assume you will be looking at that carefully, and with the other members of the committee, I would like to participate in that process. I would express real concerns because it is a very important program to us.

Several of my colleagues, Mr. Walters, have already expressed concern that your budget includes no funds for Public Law 98-77, the Emergency Veterans' Job Training Act of 1983. As a Representative from a State with the highest unemployment in the Nation, I have to express disappointment in that. I would just like to align myself with the comments and the concerns expressed by my other colleagues. This program is of crucial importance. It affects high unemployment areas and Vietnam veterans. There are two pockets of great concern to the State of West Virginia. I happen to be closely associated with them because I represent that high unemployment area.

I would like to make a comment with regard to the Vietnam veterans outreach program. I understand that the Veterans' Administration returned approximately $40 million appropriated by Congress for that program. Is that correct?

Mr. WALTERS. That is not correct. The usage of the words "returned, diverted, turned upside down, backward and forward", I think is not constructive. I think we need to address the $40 million appropriately for you. If that is going to be your question, I would be happy to have Dr. Custis take the pie of $40 million and divide it up as to how that money was used.

Mr. MOLLOHAN. During several previous hearings, I have expressed interest in this program. The real benefit of the program is that the centers are close to veterans and accessible to veterans. There is no veterans center in my district. There are some outside my district, around it, but there are none in it. I know that Mr. Weiss expressed concern about that and I would like a brief comment on his allegations.

Mr. WALTERS. I will ask Dr. Custis to take the $40 million pie, but before he does that, I would like to tell you specifically about the vet center program.

When I first arrived at the VA, I found the vet center program to be highly controversial from a lot of different directions. I took the time to go out and visit 20 to 25 of our vet centers, rapped with them in the back room, and really got down and found out what it is they are doing. I no longer have any ambivalence about this program. I think it is a very dynamic program and an important program for our Vietnam veterans. Max Cleland and I had lunch just after he testified last week, as a matter of fact, and concurred it was a good program. He was sort of the author of it.

Having said that, I have asked three questions of the Department of Medicine and Surgery, to include Dr. Custis, Dr. Blank, and Dr. Brown, who are in charge of this program: Where have we been, where are we now, and where are we going?

I think we have answered the first two, where have we been and where are we now. We need to answer the third question. I have asked for that information to be on my desk by the end of this fiscal year, so that we can determine where this program is going, both in terms of growth, as growth is dictated or needed, and in terms of the relationship to the hospitals, which is an issue. We need to examine all of these issues and come up with a plan for the future.

The $40 million is indicative of the fact that I don't think we understood where it is we were going at the time these moneys were not spent.

Dr. Custis.

Dr. CUSTIS. I will try to condense in a matter of a few minutes the fiscal accounting since 1980 when the program was first authorized.

In 1980, the law that authorized the vet center program included other programs as well. The Senate, as I recall, appropriated something on the order of $25 million—a sum that was subsequently cut to $12 million—to cover all programs in the law.

There was no subfencing at that time as to where the money would go. In getting the vet center program launched, we concentrated on in-house VA vet centers. The FTEE simultaneously appropriated for that was finite, and in subsequent years FTEE were added to bring it to a total of approximately 574 FTEE for VA vet centers.

In 1981, we were unable to launch the program as fast as we had hoped and moneys were left over. That year the agency did use the excess funds with the knowledge of the Appropriation Committees, for other programs in the hospital system.

We were taken to task for doing so in 1981. From that point on, money was, indeed, fenced. A specified $11.2 million was identified for contract programs. In 1981 it became clear through congressional intent that we should develop contract programs in addition to the VA vet centers. The program directors at that point had a lot of concern about contracting. It was contended that it would be difficult to write the specifications for the contractors' performance and would be even more difficult to supervise their performance. In other words, the risk for fraud and abuse was very real.

For that reason the contract program was slow in being launched. The Congress again made it very clear that they wanted those contracts expanded, and beginning in April 1982, there was a crash effort to do so. Even so, the total of $11.2 million was not totally utilized because of the late implementation. At that point, in 1982, the Congress recognized that the full funding for this program could not be effectively utilized and transferred (P.L. 97-257) these funds into the health professionals scholarship program. Similarly, a transfer was made for fiscal year 1983 (P.L. 98-63) for development of the integrated hospital computer system test.

At the present time, the total contracts now number over 500. We had hoped last year, with that volume of contracts in place that their productivity would utilize more money than they did. We will be able soon to tell the Administrator, based on the first quarter experience, what the utilization of $11.2 million for the entire current year is going to be and if there will be any leftover

funds. He will be able to make a decision and so inform the Appropriations Committee some time during the current quarter.

Our best estimate right now is that there will again be some excess funds. However, as in the past years, those funds are not accompanied by FTEE. If the Administrator should wish to use any of that money for expanding the in-house vet center program, it will require an increase in the FTEE ceiling allocated to the readjustment counseling program so that we can hire team members for that purpose. The problem inherent in such proposed reallocations, however, involves balancing such competing, high priority staffing needs as we have in cardiac or transplant surgery, for example, against this important program.

I think that is as concise and as accurate an answer as I can give you, Mr. Congressman.

Mr. EDGAR. Would the gentleman yield?

Mr. HAMMERSCHMIDT. Would the gentleman yield?

The CHAIRMAN. The Chair will let this go on because this is something we need for the record. The Chair will be lenient and will recognize Mr. Hammerschmidt and then Mr. Edgar, with maybe 2 or 3 more minutes on this subject.

Mr. HAMMERSCHMIDT. I was just going to ask the gentleman from West Virginia to yield—and I want to commend him for asking that question.

Mr. MOLLOHAN. Certainly.

Mr. HAMMERSCHMIDT. The Vietnam veterans outreach centers, as you know, are a product of this committee, particularly Mr. Edgar's subcommittee. Mr. Edgar had a lot to do with it. I commend first Dr. Custis for his very cogent statement in a brief period of time. But more than that, I think it is very important that we tell the real record in that VA has followed the wishes of the authorizing and appropriations committee. We have great concern that there was a recent negative impression left in the media and elsewhere, and on the record, because of the action of another subcommittee, which I suppose addressed that subject for the first or second time in their history. I think it is very important that at some point this committee also have a hearing on this matter. I have discussed that with the chairman of the subcommittee, Mr. Edgar, and I know he wants to say something on this himself. But I believe that he is agreeable to holding hearings on this subject. I think it is something that needs to be aired, because we have a very good, positive story to tell about the program.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Mr. Edgar.

Mr. EDGAR. If the gentleman would yield.

Mr. MOLLOHAN. I yield.

Mr. EDGAR. I appreciate the gentleman yielding. I, too, want to commend you for asking this question, and I want to commend Dr. Custis for his response and also commend him for answering some pretty tough questions that were coming from the other subcommittee.

I think the bottom line is that with the 4-year extension of readjustment counseling programs that Congress passed last year, it is the intention of Congress that the program be not only fully utilized but expanded.

On December 19, I wrote to you asking that funding for the fee-for-service or contract portion of the readjustment counseling program be capped, and those additional funds then available out of the total moneys earmarked for readjustment counseling be used for an expansion of existing programs, with more vet centers and more vet center personnel. Senator Cranston has also made the same request.

Is it my understanding, Dr. Custis, that what you're saying is, unless you get the FTEE additions, that would be impossible?

Dr. CUSTIS. It would be extremely difficult to transfer the FTEE ceiling from the medical care system—not impossible. As a matter of fact, we have in the past provided some 20 FTEE from the hospital commitments.

But the point is, we are marginally staffed across the system and there is hardly a service that isn't begging for more manpower. We have tried to utilize FTEE in accordance with what programs the Congress authorizes. This program is authorized at 552 FTEE. We are currently at a level of some 574 FTEE. It would be very, very difficult and it would require reprograming to lay any FTEE against those unused funds.

Mr. EDGAR. Does that mean you have no additiona! plans this year to expand the readjustment counseling program into additional areas?

Dr. CUSTIS. No, sir, it doesn't mean that. The Administrator is waiting for a survey of the contracts that has just been completed. This month he will receive from the Department, based on our experience with the 500-plus contracts in the first quarter of this year, an estimate of their utilization of funds for the remainder of this fiscal year. In addition, the Adminstrator will receive any suggestions the program directors and the Department may have to offer regarding unused funds.

If one of those options is to use those funds for increasing in-house vet centers, there are no FTEE to accompany those funds.

Mr. EDGAR. If I could close with one final comment, it is the analysis of many of us who were out in the field all last year visiting vet centers, and having hearings on the contract program, that the contract program is not as effective as the in-house program. It seems to some of us that capping that program and redirecting those funds for some more permanent programs would be in order.

Thank you, Mr. Chairman.

Mrs. JOHNSON. Mr. Chairman, would the gentleman yield further?

Mr. MOLLOHAN. If I have any time, I will certainly yield.

The CHAIRMAN. The Chair tries to be nice and he gets in trouble. [Laughter.]

Mrs. JOHNSON. I just have one further question along this line.

I am surprised at your difficulty in contracting the full amount of the money. In my own center there is a crying need for legal advice. One of the reasons they have had to reduce the number of hours that they have a legal service person there is because they don't have the money now. This is going back a year, year-and-a-half. But when I look at the need of United Way agencies for new sources of funding, in view of Federal policy over the last few years, and the resources that they have to offer to some of these

men, the cuts in the legal service budget and the employment needs, and now some very good, new employment service programs developing in community colleges as a result basically of JEPTA, I just wonder—and I will be interested in that hearing, in determining for myself whether you are exporting the resources that are developing in our communities to address the needs and, therefore, using our centers as a way of pulling together existing services and substituting perhaps VA funding where other kinds of Federal funding used to be supportive.

Mr. WALTERS. I would like to tell you that these are the questions that are being asked. It is part of the whole question, "Where are we going?" I can assure you that these matters are under consideration right now, as we people look at what we have to do in the future for the vet centers.

The IG has a report which we will make available to you on the contracting out services, which is not very congratulatory, I might add. We will keep this committee apprised of the differing views and the final decision, you can be rest assured.

Mrs. JOHNSON. Thank you. I would like a copy of that report.[1]

Dr. CUSTIS. If I may add just one thing, Mrs. Johnson. The authority for these contracts is decentralized and it's open ended. Any contractor that has a proposal, as long as the funds last, has the opportunity to apply. It's a decentralized contracting authority.

The CHAIRMAN. Thank you.

Before the Chair yields to Mr. Edgar, let me comment and say briefly that I appreciate the VA not panicking over this criticism. We have indicated previously that we don't particularly like contracting out. It should be done only when VA cannot provide counseling in-house or when traveling great distances to a VA facility for such counseling would create an undue hardship on the veteran. I would go slow in analyzing the criticism the Department has been getting. You should do what you think is best. We think you are doing what the law intended. We don't have money to waste. So those who suggest that you spend more money for contract services may hold a different view than many who serve on this committee.

Mr. Edgar.

Mr. EDGAR. Thank you, Mr. Chairman.

Mr. Administrator, does this budget request contain any funding to cover the new initiatives contained in Public Law 98-160 which Congress passed last year?

Mr. WALTERS. Would you be so kind as to define Public Law 98-160?

Mr. EDGAR. This is the bill that included the 4-year extension of the readjustment counseling center, but had a number of other initiatives in that legislation. I wonder if, besides the readjustment counseling extension program, whether or not any of those other initiatives are included in your budget request.

For example, are there funds in here for the post traumatic stress disorder study of Vietnam veterans? Are there funds in here to do any of the other initiatives that were included in that legislation?

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[1] See p. 80.

Mr. WALTERS. Dr. Custis.

Dr. CUSTIS. A request for funds was made in the Administrator's budget to cover all the programs in that legislation but they were lost in the budget cycle.

Mr. EDGAR. What do you estimate would be the total cost of those initiatives, including such things as the adult day health care program, which was one of the components of that legislation?

Dr. CUSTIS. I believe the initial estimate for the first year of these several new programs was $13 million, but that is not necessarily an accurate estimate of the cost once they are established.

Mr. EDGAR. Isn't it true that the adult day health care program is one which you, as VA Administrator, would like to see begin and move?

Mr. WALTERS. That is true.

Mr. EDGAR. So this budget does not include those funds at the direction of the Office of Management and Budget?

Dr. CUSTIS. In the geriatric plan, we intend to have some very definitive recommendations for the Administrator regarding adult day health care centers. Parenthetically, we already have on a prototype, experimental basis, five such centers.

Mr. EDGAR. I was particularly interested in the question that was asked by John Paul Hammerschmidt, looking at what the VA budget has been in constant dollars since 1975 versus what it has been in actual dollars. I look forward to having that chart included in our record.

It occurred to me, as we traveled around the country, that a number of hospital directors have had to cannibalize within their institutions certain programs to shift resources and to make some movements. As you indicated in your statement, some of that may have been excess that could be constricted.

But is it your impression that the medical system for the VA can continue to take internally the cost-of-living increases and the additional costs of providing health care without sufficient new dollars?

Mr. WALTERS. Mr. Edgar, the answer to that question lies in the geriatric plan which I hope to have in my hands this month. I think the whole issue of the aging veteran is one which the agency has not packaged yet. A lot of work has been done. It has been incremental work. Now we're going to put a ribbon around it, put a package up front which should answer that question. Hopefully, it will be helpful to you as well as to me.

Mr. EDGAR. I agree, and I appreciate your emphasis on the aging veteran. But let's take an issue that doesn't relate to the aging veteran. Let's take a look at the sophisticated equipment that hospitals need, some of which is very expensive, the so-called CAT scanners and PET scanners, and possibly future technology like NMR's, are going to be very costly to the system.

There is also middle level equipment crisis, I believe, within some VA centers, where certain pieces of equipment in the—let's just use a figure in the $100,000 to $500,000 range—where that equipment fund has had to be cannibalized in order to provide other services. We heard report after report in certain facilities, who perhaps were late in making requests for equipment, where those equipment requests had to be denied.

Is there any intention to try to protect that very important—not the gold-plated equipment, the dreams of some surgeons and medical professionals that would like to have every piece of equipment—but the very practical pieces of equipment that need to be replaced and replenished in the facilities, is there any attempt to protect that in the budget so that it can't be redirected or diverted?

Mr. WALTERS. Mr. Edgar, without meaning to steal Dr. Custis' fire, every medical center director has his druthers in the budget process and there will continue to be tradeoffs as to where he wants his resources to go. So every medical center director cannot be accounted for in this room here this morning. Some will protect their equipment and some will not. But I will leave the rest of that question to Dr. Custis.

Dr. CUSTIS. Mr. Edgar, what that question provokes in me is anxiety. The capital investment account is one of the few places that remains unfenced. I suspect our directors, were they to be told we were going to fence that subaccount as well, thereby reducing further their flexibility, would protest. It is the last place that they have for putting out fires, for meeting emergency expenses. I think they would prefer not to be fenced.

It is true that the cost of technology is a tremendously large portion of the total escalating cost of health care in the VA as well as in the private sector. It is also true that VA hospitals have a long way to go in terms of updating imaging technology that is extremely expensive. It is not the only place, however, that more and more resources are being required. For example, our open heart surgery programs are inadequately staffed and inadequately funded, to meet the rapid increase in demand that is happening there. Organ transplants now are getting to be more and more prevalent, the cost of which is really bad news for the budget. I could name you multiple programs along the same lines.

Mr. HOFFMAN. Mr. Edgar, might I add that this budget does provide for $176 million in inflationary costs in the medical care program alone. The rate that is recognized in this budget for medical programs is 5.8 percent in comparison to 4.5 percent, which is reflected in other parts of the budget. So it does hopefully, permit them not to have to do that much shifting because of increased costs.

Mr. EDGAR [presiding]. My time has expired, but I will have some additional questions.

Dr. Rowland.

Dr. ROWLAND. No questions.

Mr. EDGAR. Mr. Richardson.

Mr. RICHARDSON. Thank you very much, Mr. Chairman.

I would like to commend Mr. Walters for his presentation, and for also being personally very responsive to some of the crises problems that we have as Congressmen relating to our veterans.

I want to just briefly touch on a number of issues that I am presently dealing with Mr. Walters and his staff, just to get them on the record, and I will only have one question.

First, Mr. Walters, as a member of the subcommittee on Health Care and Hospitals, I went with Congressman Edgar and Congressman Hammerschmidt to northern New Mexico, which is my district, an area that is deeply in need of outpatient care, and we are

working with your staff on the possibility of making arrangements with the VA hospital and perhaps the Indian Health Service to set up some satellite clinics in the area. I look forward to working with you on that.

The second issue, Mr. Walters, you have received a letter from the New Mexico congressional delegation regarding the hiring of veterans, expressing the concern we have that the contractors for the Albuquerque Medical Center have not said that veterans will be hired for work on this new hospital center. We hope that you monitor this issue. I know you probably just received the letter a short time ago and I am not asking you to respond now. But this is a subject of concern to a number of people in New Mexico.

Third, I have talked to a number of members of your staff about the issue of housing loans for Indian veterans. This is a problem in the reservations, where the VA and some of the mortgage companies have had difficulties in initiating programs. I hope this is something we can continue working together on and arrive at a resolution.

My last question relates to something that was discussed by Mr. Mollohan, and Mr. Hammerschmidt also raised it. There was a press report on January 31 relating to the House Government Operations Subcommittee on the Vietnam counseling center. I don't want to rehash the whole issue, but I would like to know if members of this subcommittee—particularly Mr. Edgar and Mr. Hammerschmidt—if they are satisfied with the responses that the VA has made in refuting the article that came out in the Washington Post. This story talked about $40 million in reprogramed funds, $24 million reprogramed by the agency and spent on drugs and equipment for VA hospitals, medical scholarships, and another $16.3 million not spent. It seems that the VA and subcommittee versions are so dramatically different that I must rely on my committee's judgment. But perhaps, Mr. Edgar, we do need some hearings——

Mr. EDGAR. Would the gentleman yield?

Mr. RICHARDSON. Yes.

Mr. EDGAR. First of all, I agree with John Paul Hammerschmidt, that hearings are needed to clarify this. It is not a matter of agreeing or disagreeing with the actions of Ted Weiss and his subcommittee on readjustment counseling. I think it is a matter of perspective.

I have to go back a few years in history when the first original thought of having readjustment counseling centers came up. There was a great deal of reluctance on the part of many in the Congress and the VA—at that time it happened to be a Democratic administration—for doing it in the first place, and a lot of reluctance on the part of certain people in the VA to having readjustment counseling centers as centers apart from the health care network.

When the program was finally passed, over the objections of many, it was then put in place. Some of the early experience with the program was shaky and some of it was very good. As it began to be established and models were developed on how to do it, as a storefront counseling center program, people began to realize that there was more and more need. The whole idea—and if I'm wrong, please correct me—of contracting out was then laid up on top of that, because there were communities where it didn't make sense

to put a full readjustment counseling center. But the need was still there, so they began to contract out.

That contracting out process was greatly confused. The quality of the care was hard to measure, as Dr. Custis has indicated, because it was difficult to have the same quality, given the personnel that were involved. That, plus other things, occurred with the excess funds that were reprogramed. The Appropriations Committees of both the House and Senate were able to have some input into exactly how the reprograming took place.

Again, I don't think it's a matter of either John Paul or myself saying everything has been fine in the past, and had we had our druthers I think I, for one, would have liked to see that reprograming done for other readjustment counseling centers. But as Dr. Custis pointed out this morning, if you don't have the personnel to staff those centers, you can't open them. So it is that dual problem.

One or two suggestions have come out of that hearing. We are putting a letter together from Don Edwards and myself to Mr. Boland, who heads the appropriate Appropriations Subcommittee, asking that readjustment counseling be a line item of the budget and could be fairly looked at. Secondly, with the passage of legislation last year for the 4-year extension of readjustment counseling, it is our intention that the program be expanded, not contracted, and that some permanency be given to at least those professionals in the system who could, in fact, be long-term employees to the VA, because part of the experience of Mr. Weiss' hearing was the question about the lack of permanency and the lack of consistency.

I think, from my observations, and from our visits in the field, that this is a very valuable program, that we do have some problems with the contracting out of the program, and that was the reason for Senator Cranston and I and others asking to cap the contracting out program and direct more of the funds to the controllable readjustment counseling centers where the quality of care can also be maintained.

It is my hope, as the chairman of the subcommittee, through our hearings and through working with Dr. Custis and Dr. Blank and others, that this will not give the readjustment counseling centers a black eye. What I think it does, it brings a focus on it. I think the press picked up on the $40 million of reprograming as though somebody was out taking that $40 million and using it inappropriately. If you look at the real dollars in the VA, they are so strapped for funds because of staying at about the constant dollar level that they were in 1975, that again they are using funds wherever they can.

That's a long explanation. Dr. Custis, you may want to clarify something I have said. But that is my impression of the situation. It is not the kind of level of crisis that CBS, NBC, ABC, and UPI and AP would like it to be. It is an issue that has to be clarified. I think now the VA, as an agency, is not only for the program but has learned a lot from the program and understands the reasons why Congress expanded it last year.

Dr. Custis, do you want to add to that?

Dr. CUSTIS. Mr. Chairman, your remarks need no clarification—mine do. I spoke of the number of FTE currently in the program. We have 132 centers that average four FTE per team. There are

some satellites as well. There are also some regional personnel and central office personnel. The total number in the program is 574 FTEE. The authorized number is 552 FTEE. The exact numbers. But I understated it before.

Mr. EDGAR. I just want to commend both the gentleman from West Virginia and Mr. Richardson for raising the issue, because it is clearly an issue we have to be responsible to as a committee, and I think we have been. I think some discussion with Dr. Blank and with Dr. Custis is in order on this issue, and I think the public exposure on it should not be overreacted to. I think we should, in a fairly reasoned approach, look at ways that we can look to the future.

I don't think there was anything in those hearings that indicated there was any wrongdoing on anyone's part, or any malicious action on anybody's part. It is a matter of being able to obligate the funds fully with the number of personnel that are committed to the program.

Mr. Walters, do you have any additional comments you would like to make to this point, because it is a critical one, given the press coverage it has received.

Mr. WALTERS. Mr. Chairman, the substance of your comments needs no clarification. I would like, also, to just add one comment, and only somewhat in jest. Dan Rather indicated in his discussion of this matter on CBS News that we were a super bureaucracy. I agree. I think we are a super bureaucracy.

Mr. EDGAR. Miss Kaptur.

Ms. KAPTUR. Mr. Chairman, I'm wondering if you are going to allow anybody to ask unanimous consent to be recognized out of order. I am late for an appointment.

Mr. EDGAR. Without objection? [No response.] So ordered.

Ms. KAPTUR. Mr. Walters, this is my first opportunity to meet you. I must say that I think your going over to the VA was a vast improvement.

I am interested in the same question that you are, that is, where are we going with the VA in the years ahead. I am particularly interested in your budget submission today and the projections for the growth of the VA medical care system staffing, particularly as regards outpatient care.

I come from an area where we have a satellite clinic in northwest Ohio. Our history has been as follows: since the late 1970's we have gone from, in patient visits, 27,000 on the average per year to a current level, which has been rising every year, to 33,000. MEDIPP projects that by 1990 we will be well over 40,000.

During that same time period there has been an inverse relationship in the amount of full-time employees. We have had an attrition of 7, going from a level of 18 down to 11 at the present time. It takes approximately 3 to 4 months for non-service-connected veterans to even get an appointment to get an initial physical. The charts that we send to our mother facility in Ann Arbor take 6 to 8 weeks to be sent back to our community. Our specialty clinics within the satellite center are severely understaffed. The morale is very low, not because we don't have good people, but because they are just terribly overburdened.

I am wondering, knowing that all policy eventually becomes local, what we might do together in order to improve the following: (a) the relationship between our satellite clinic and Ann Arbor—we really are a bastard child for all intents and purposes—and (b) how our needs are reflected in the budget that was submitted this morning. I would really like you to comment on that. I think it is a severe problem in our area and I am seeking some answers.

Mr. WALTERS. First let me tell you I was born in northwest Ohio, in Fostoria, so I know about northwest Ohio. Second, unfortunately, that circumstance is true in all too many of our clinics, which Dr. Custis is fully aware of. This is a result of some of the understaffing that has occurred over the last 10 years in the VA system.

To address your problem independent of all the rest of the clinics is a gigantic chore, which Dr. Custis must undertake. I am sure he will listen to your arguments and try to do as best he can under the constraints that he works under, which is the fact that we don't have enough FTEE to staff all the places we want to. But I would direct Dr. Custis to have direct involvement with you and your staff so that we can look at the situation and try to treat it fairly.

Ms. KAPTUR. Thank you very much.

Second—and I will end here—on the Emergency Veterans Jobs Training Act, echoing what some of my colleagues have stated, the area that I come from, the greater Toledo area, still has very, very high levels of unemployment. Our veterans satellite clinic has been strained badly over the last year and it's not going to get any better in our area. We have worked so hard with our local bureau of employment services to talk to employers, to send letters to veterans, to try to help people, and to see this submission was a great disappointment in that regard this morning. I just wanted to put that on the record.

Mr. EDGAR. One of the points that needs to be made about unemployment is that while the rest of the Nation is looking relatively well, there are pockets of poverty in States that have long-term unemployment that really need the kind of training dollars that were available there. In 1981, the administration at that time was spending about $7.9 billion on training and retraining programs. We are down below the $4 billion area in the actual training and reprograming.

It seems to me that in those pockets of poverty, in those States with long-term unemployment, that the vets job training program was an essential program. I really am quite disappointed, as Miss Kaptur is, that that recognition is not being made by this administration. It is not the fault of the VA particularly, but I think it is important for the public-at-large to understand that unemployment hasn't gone away, and long-term unemployment is at catastrophic levels in certain areas.

The gentleman from West Virginia, Mr. Staggers.

Mr. STAGGERS. Mr. Chairman, I don't know whether you meant to preface your introduction of me about the poverty and unemployment, but I think it's very appropriate that, being from West Virginia, that point was made about the pockets of poverty and the high unemployment, that West Virginia still leads the Nation in unemployment.

Before I go into my observations and questions, I would like to commend Mr. Walters for his efforts, and your staff. I think that you work very hard and, in working with your staff, I have been able to accomplish a lot, at least with the communications. So I do commend you.

Getting back to the unemployment, on the jobs training, I would like to echo what my colleagues from West Virginia and from Ohio have mentioned. I would also like to point out that I think the rationale is faulty. The program is so new that a determination that no money is needed I think was inappropriate. I know a lot of veterans in my district don't know about the program, so I think the rationale has been faulty.

I would also like to echo what has previously been said about the mortgage default policy. I think those need to be looked at, also.

Another concern I have is the cuts in the Department of Veterans Benefits, the 800 employees that have been cut. With the backlog you have already, I don't know how you can justify that. Would you care to comment?

Mr. WALTERS. As I indicated in my opening statement, the Department of Veterans Benefits employment cut, every year we take a cut in the Department of Veterans Benefits. We have been doing that for 10 years. There is always an argument in the budget sessions, with the appropriating committees as well as OMB, as to what staff is required to deliver the benefits. The work measurement system which Miss Starbuck uses in her view is quite accurate. It appears no one else is buying it. As a result, it becomes a question every time we go to the budget table.

So what I have asked her to do is to get a reputable management consulting firm to come into our agency and determine what our staff level should be, so that you and I and OMB and the appropriating committees will have a handle from which to hang on to when it comes to this very important matter. Up until that time, we are rather defenseless on this issue, so we continue to take what I call a hit in our Department of Veterans Benefits.

Mr. STAGGERS. Thank you.

Mr. WALTERS. Dorothy, would you like to add to that?

Miss STARBUCK. No; I don't believe so.

Mr. STAGGERS. I have two other brief questions. One is parochial, so I will start with it.

In the new Martinsburg facility, in the original design, in the original concept, some of the facility was put on hold as a cost-saving measure that might be made up later. I do know that the people back in Martinsburg are concerned with whether that money will ever be put in or whether there will be a complete facility or not.

Is there money in this budget, or can I expect money in the future?

Mr. WALTERS. I would like Dr. Custis to answer that question specifically, since you're asking a specific question about a specific hospital.

Dr. CUSTIS. It is true that because of general cost escalation in the construction industry at the time, some features originally intended to be included in the construction were eliminated or reduced in an effort to keep costs within amounts budgeted. It is not

believed that any of those reductions will interfere with the timely activation of the hospital. Additionally, new and changed requirements, unforseeable when the project was planned, and not all relating to the direct mission of the medical center, must nevertheless be addressed as part of this project. There has been a team attending these issues. Specifically, what is yet to be done has been identified.

We can supply for the record exactly what these items are and what we intend to do to fund and implement them. There will have to be some reprograming of funds.

[Subsequently, the Veterans' Administration furnished the following information:]

VAMC MARTINSBURG, W. VA.

Activation items, money at VAMC	Status (approved, funded, under consideration, completed	Cost
Installation of Philip X-ray equipment—Orthopedic OR	Approved/funded	
Installation of Raytheon X-ray equipment—Cysto room	do	
Installation of telephone equipment (conduit)	do	
Installation of trash compactor	do	
Installation of Cento-Valet	do	
Utilities for automatic film developer—Nuclear medicine	do	
Installation of equipment—Nuclear medicine service	do	
Utilities for sound booths—Audiology service	do	
Utilities for equipment—Pharmacy service	do	
Utilities for equipment—Laboratory service	do	
Utilities for equipment—Dietetics service	do	
Utilities for Lectrivers—Personnel service	do	
Utilities for Lectrivers—Fiscal service	do	
Utilities modifications for canteen service	do	
Modifications for installations for RMS equipment	do	
Utilities for installation of engineering shop equipment	do	
Utilities for installation of 2-way and paging radio equipment	do	
Other various minor utility modifications for installation of other services equipment	do	
The following items were submitted and approved/funded as completion items. These items are funded from the major construction project funds (Project No. 613-012):		
Install a fire alarm gong (6 in) at each interstitial stairway exit (20 gongs). Connect kitchen hood extinguishing system to the F/A system.	do	$3,203
Remove 8 outer type "M" lighting fixtures at the engineering service loading dock	do	351
Install a single pole light switch to control the tunnel light fixtures	do	83
Install a neutral conductor in the existing conduits to the 2 busways in room GA-137 from panel DP-SB. Replace 4 4/C drop cords (for the 2 pole circuit breakers) with 4 3/C type SO drop cords with 2 pole, 3-wire grounding, NEMA L6-20R plug.	do	526
Remove existing electrical service to the busway in room GA-138. Install new service to the busway (4-#4/0 and 1-#4 ground in 2½ in conduit) from panel DP-SB. Install a 3-pole, 225 amp circuit breaker in existing Panel DP-SB.	do	3,139
Install 4 additional type "D" light fixtures in room GA-139. Relocate 10 2'x4' recessed light fixtures and install 5 additional type "B" light fixtures in room 1D-111. Relocate 2 2'x4' recessed light fixtures and install 3 additional type "B" light fixtures in room 1D-132.	do	2,953
In lieu of rerouting the fire pump feeder, provide barriers in pull boxes (where the feeder has been installed with other feeders) to separate the feeder from other conductors.	do	274
Replace ionization smoke detector at basement kitchen elevator lobby with a photo-cell detector.	do	117
Install 1 type "L" light fixture and single pole switch in each of 2 utility closets in room GC-111.	do	
Install 9 type "L" light fixtures in room GB-120F (1 between each sterilizer) and 2 3-way switches with pilot light.	do	

VAMC MARTINSBURG, W. VA.—Continued

Activation items, money at VAMC	Status (approved, funded, under consideration, completed	Cost
Install 9 duplex receptacles (1 between each sterilizer) in room GB–120F. Connect No. 10 conductors to panel RP–SWB with 2 new 20 amp, 1-pole circuit breakers.	do	$2,460
Extend the 24 in trash and linen exhaust pipe to the tunnel exit opening	do	1,196
Install 1 photo electric type smoke detector in room GE–102	do	211
Install a duplicate fire alarm annunciator panel at the employees' entrance	do	24,309
Install a green "generator running" lamp for each of the 2 generators on existing remote ATS panel located in room 1A–183.	do	2,966
Install 1 type "D" light fixture and switch in room GA–120A	do	198
Install a MATV outlet in Bio-Med engineering shop, room GA–127	do	764
Install a supervisory panel in room 1A–183 to provide both audible and visual signals and alarms for the fire pump.	do	2,269
Change the sprinkler heads in the switchgear, transformer, and generator rooms to Grinnell type EA–1, spray mist type (325 degrees).	do	1,100
Provide sump pump in room GE–102 electrical switchgear room	do	2,500
Add an additional 1,500-gallon diesel fuel storage tank to the present 550 gallon generator fuel tank.	do	7,063
Replace floor drain trap in somat water press room with a standard long radius elbow	do	151
Replace 4-inch floor drain grating in room GE–104 with solid cover	do	146
Raise existing fire hydrant located near inlet I–136, sector 13 on drawing 500–W4 so that centerline of outlet is 18 in above finished grade.	do	376
Relocate sprinkler zone control valves, drains, tests, and flow switches near interstitial access doors at basement zones A, B and C.	do	6,361
Install water cooled chiller in room 2C–118, photo lab. Chiller to be hooked into water supply for FL–104.	do	6,100
Reconnect cold water supply to the hose bibb (P–804) in the penthouse	do	502
Provide revised/upgraded dedicated exhaust system for the ethylene oxide sterilizers	do	17,800
Relocate O.R. emergency generator exhaust pipe to second floor roof	do	5,400
Modify walls, electrical circuits and the HVAC system in order to accommodate various component of the patient monitoring system for SICU, recovery room and MICU–CCU.	do	60,124
Install necessary physical security requirements in credit union, canteen areas, agent cashier, pharmacy areas, warehouse, psychiatric ward, OPC and administrative areas.	do	67,500
Total approved cost		220,142

These approved/funded completion items have been delegated to the Medical Center Director for final design with assistance and construction supervision by the Resident Engineer staff presently at VAMC Martinsburg, West Virginia.

In addition to this list, other items with a total cost of $605,975 have been approved and will be forwarded to the medical center immediately.

Also, the following items were submitted for consideration but disapproved:

Install a new elevator S–8 in an existing shaft to serve Basement through sixth floors.

Reason for disapproval: The need for this elevator should be determined after the hospital has been occupied for awhile and a traffic study has been made.

Renovate/complete construction of approximately 5,000 NSF of existing space for Emergency Operation Facility (FEMA).

Reason for disapproval: This function was not in the scope of work and is not related to the immediate operation of the hospital. This project will be funded as a separate project.

Mr. STAGGERS. I appreciate that.

Dr. CUSTIS. It will not interfere with the activation of the new Martinsburg facility.

Mr. STAGGERS. One last observation in looking at the budget which concerns me, and I would like a comment at least. This is the outpatient program. There appears to be some money for physical improvement, but there is also a projected 79,000 increase in visits.

Are we going to be able to handle that increase in outpatient visits just with the new money, which appears to be construction? Is there going to be actual medical people that will be able to handle that? Is that envisioned, or are we going to be able to handle it with existing programs?

Mr. WALTERS. Dr. Custis.

Dr. CUSTIS. I must apologize. My mind was still on Martinsburg as you began the question.

Would you repeat it, please?

Mr. STAGGERS. I am concerned about the outpatient program, with the increase in projected visits. Are we going to be able to handle that with the existing, or are you anticipating——

Dr. CUSTIS. There is provision for a slight increase in capability, resource-wise, for outpatient visits. I think it must be generally understood that, almost without exception, none of our facilities can handle the total load that is being asked of them. What they, of necessity, are required to do is to prioritize the entitlements for care of the veterans who apply.

Unfortunately, it is not generally appreciated among veterans that the non-service-connected veteran, under certain circumstances, is not, under law, entitled to care. Even those entitled to care have qualifications subject to space and resource availability. The only way a director has, much to his regret, to within the budget and not winding up in the red, is to cut off access to care at the low priority applicant level. Until the day comes when Congress says that all veterans, including those with non-service-connected disability, have total access to care, there will probably continue to be something less than a complete furnishing of care based on demand.

Mr. STAGGERS. Thank you.

Thank you, Mr. Chairman. I apologize. I am going to have to leave, also.

The CHAIRMAN [presiding]. The Chair understands.

The Chair recognizes Mr. Shelby of Alabama.

Mr. SHELBY. Mr. Chairman, I will try to be brief.

Administrator Walters, what input would you have, would the VA have, on the future course that is finally adopted concerning the acquisition of properties where the veterans are in default? Do you have a leading role, or will the policy be dictated by OMB? It seems to us that OMB is playing more and more of a role there. Do you have any comments on that?

Mr. WALTERS. I think that is, indeed, the agreement that I have with the Budget Review Board. It should be a Governmentwide policy. To develop consistency that is needed, so that all the home loan programs are operated the same way, it requires a little more homework than perhaps some people thought at the outset of this idea.

We had some input. We did not go without input. We have an IG report which is available to the Congress, that shows we submitted certain data as part of our discussions.

Mr. SHELBY. At the hearing this morning you have five or six members bring up the default problems and what you might do, or what your policy has been in the past. There is a lot of concern there.

Back in December we wrote you a letter asking you what you're going to do in that area, asking you not to do some things and so forth, and we haven't heard from you. I'm going to have some oversight hearings pretty soon and I wish you would try to respond to the letter. It would help us formulate some ideas for our hearing.

Mr. WALTERS. I thought we had responded to your letter. I would tell you, Mr. Congressman, that the reason we did not respond before the budget was submitted to the Hill was for quite obvious reasons. There was no intent for us to be discourteous to you, rest assured.

Mr. SHELBY. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Slattery of Kansas.

Mr. SLATTERY. Thank you, Mr. Chairman.

I have a question with regard to personnel and the utilization of personnel. Specifically, I represent the Topeka hospital. As you may know, there is great concern out there about the level of personnel.

We have done a little bit of study on this, my staff and the staff of the hospital, comparing other facilities that, according to the Veterans Office of Resource Management, are comparable facilities to the Topeka hospital. Going over the information and just looking at the workload factors that apparently the VA looks at in determining what is appropriate personnel levels, it looks like the Topeka hospital, out of the 10 that I looked at, is second in applications received, the second largest number out of the 10, they are sixth in daily consensus, fourth in patients treated, fourth highest, the second highest in outpatient visits, but dead last, 10th, in staffing.

It seems to me, just from looking at the numbers—and I understand there may be other extenuating circumstances—but just looking at the numbers, there seems to be a disparity here. I would like to hear your comments and I would like a written explanation of what the justification is for what appears on paper to be a disparity in personnel at the Topeka facility.

I looked also at other facilities, in and out of region V, for that matter, and there seems to be additional information, in addition to the ten hospitals that I looked at, that were provided by the VA as comparable facilities, according to your Office of Resource Management. I would like to hear your comments and then I would like a written response for the record in terms of what the justification is. Because as I look at this and see that we are second in applications received, second in outpatient visits, fourth in patients treated, and sixth in daily census, and yet tenth in staffing, on paper there seems to be some kind of reasonable justification for an adjustment in the way we're allocating personnel in the region certainly.

I would like to hear your comments.

Dr. CUSTIS. As you probably know, Senator Dole has also raised this same issue.

Mr. SLATTERY. I'm glad to hear that the Senator is interested.

Dr. CUSTIS. For that reason, our staff, particularly the regional director's staff, has been paying attention to the comparative staffing at Topeka and other hospitals.

I can only tell you that the preliminary feedback that I am geting is that Topeka is not out of line. However, I assure you that we will continue looking into this matter.

Also, your question opens the opportunity to explain that we have been preparing for the last 3 years, to implement staffing standards based on a task analysis approach. In the process, we have become quite aware that not only our personnel but our dollars—our total resources—have become inequitably distributed. I think the reasons for this are shifting veteran demographics, and the fact that in some areas the presence of aging veterans is more predominant than in other areas. For example, whereas veterans are shifting toward the Sun Belt, the highest percentage of aging veterans, is found in the North and the Northeast.

There is, indeed, a need for a more equitable distribution of both dollars and personnel, and we are and have been for several years getting ready to do just that. The staffing standards will cover 87 percent of all of our services and will be implemented this fall with the 1985 budget. I think at that time, when a hospital such as Topeka suggests that "compared to others, we're not doing so well", we will be able to show them on very valid grounds why they are staffed at the level they are.

Mr. SLATTERY. Let me just clarify that. As I look at these numbers, it tells me one of two things. It tells me that the others perhaps on paper are either overstaffed or Topeka is understaffed, OK? I just make that point. I assume that these are the numbers that you look at in terms of evaluating personnel allocations.

Dr. CUSTIS. We will be looking much deeper than that using productivity indices—measures of output based on staffing.

Mr. SLATTERY. When do you anticipate this information being available?

Dr. CUSTIS. The individual in charge of doing this work, Miss Quandt, is in the room, if I may ask her to respond to the question.

Mr. SLATTERY. Miss Quandt.

Miss QUANDT. We will have a preliminary report, Mr. Congressman, by March 1, which will show figures for regions. It will not show the hospitals' specific figures. These data will be available by next October.

Mr. SLATTERY. Could you give me your name again, please?

Miss QUANDT. Marjorie Quandt, Q-u-a-n-d-t.

Dr. CUSTIS. Miss Quandt is the Assistant Chief Medical Director for Administration.

Mr. SLATTERY. When can I anticipate a response from you, Dr. Custis, with respect to the allocation we just talked about?

Dr. CUSTIS. I would say within the week, Mr. Slattery.

Mr. SLATTERY. OK. Thank you.

The CHAIRMAN. The Chair would like to recognize the gentleman from Minnesota, Mr. Penny.

Mr. PENNY. Thank you, Mr. Chairman.

I want to ask a couple of questions about the grants for construction of State extended care facilities. The appropriation level for 1984 was $18 million. Was all of that money expended?

Mr. WALTERS. Connie, do you know if all that money was expended, the $18 million?

Dr. CUSTIS. There is almost always carryover money in that grant program because of the restriction that no more than one-third go to any one State. The Administrator has asked that we prepare legislation to remove that restriction.

Yes; the answer to your question is that there are always carryover funds and we think the main reason for this is the restriction of no more than one-third to any given State.

Mr. PENNY. Of the $35 million that is requested for 1985, do you already have a plan that outlines how that money will be obligated?

Dr. CUSTIS. Yes; we do. It is fluid, however, because several things requiring change can happen. There is approximately a $50 million backlog in requests.

Mr. PENNY. Is that $50 million after this $35 million is expended——

Dr. CUSTIS. Yes; it's after.

Mr. PENNY. So once this is expended, you would have about $50 million worth of requests currently on your list that would still go unfunded?

Dr. CUSTIS. After the $35 million becomes available, there is $49.5 million, I believe, in requests that have already been made. There will be more coming in.

Mr. PENNY. I'm aware of that. But you will have at least $50 million that will not be met by this appropriation, plus whatever others might come in?

Dr. CUSTIS. That's right. But as I say, things have a way of happening. State legislatures don't always come up with their appropriations. Also, there may be difficulty with environmental impact statements, or other reasons why the best intentions on the part of the State do not always stay on course.

Mr. PENNY. Dr. Custis, are the projects placed on a list simply at the request of the chief executive in a particular State? What makes it a valid request? Does there have to be more than just a letter from the Governor saying "we would like a facility at such a location in our State"?

Dr. CUSTIS. Mr. Roy McCracken is here. Would you care to take that, Roy?

Mr. MCCRACKEN. A formal preapplication must be submitted, which does have data, similar to a construction request.

Mr. PENNY. But it doesn't require legislative action in that State prior to the request being made?

Mr. MCCRACKEN. No, sir, but a State must assure that State funds will be available before a grant may be awarded.

Mr. PENNY. Could I get an outline from your department on the number of requests that are pending and an idea of where the funds are going to be obligated?

Dr. CUSTIS. We will provide that for the record.

[Subsequently, the Veterans' Administration furnished the following information:]

At the end of FY 1984 there will be 38 unfunded projects requiring a total of $84 million for which preapplications have been received. Assuming an appropriation of $34.5 million for FY 1985, there will be 28 projects remaining totalling $49.5 million for which pre-applications have been received and which are unfunded.

[Dollars in thousands]

State	Projects	Unfunded estimated grant requests
Arkansas	1	$195
California	13	16,481
Florida	1	2,730
Georgia	1	5,902
Illinois	1	144
Massachusetts	2	154
Minnesota	1	474
Mississippi	1	2,657
Montana	1	1,203
New York	1	14,625
Pennsylvania	4	3,797
Rhode Island	1	1,138
Total	28	49,500

Mr. HOFFMAN. Mr. Penny, we do have the figures here on the unobligated balance. At the end of 1983 it was approximately $21 million. At the end of 1984, we expect that to be reduced down to approximately $7 million.

Mr. PENNY. Thank you.

The CHAIRMAN. Thank you, Mr. Penny.

Mr. Leath of Texas was here and had to leave.

Mr. Mica of Florida.

Would you mind telling us, is the veteran population growing in Florida? [Laughter.]

Mr. MICA. How many a month. How many a month.

I had to leave almost an hour ago, and after the next half hour I stayed and I heard a lot of the questions, and I changed all of the thoughts of what I was going to ask and say. I am not going to mention how many veterans a month come to Florida.

The CHAIRMAN. Let the record show 5,000 a month. [Laughter.]

Mr. MICA. I have been here now 6 years, and I usually sit here and try to do as my colleagues do, drill on every question that is meaningful to veterans in this Nation and, of course, to my State and area. But let me tell you, Mr. Walters, you are doing a good job. You are doing a great job.

Dr. Custis and Miss Starbuck, I am so pleased at what I have seen in recent years and what you have been doing. I found, after 6 years here—we brought that great hospital to the West Palm Beach area, a $200 million facility, and I went home. As you said, sometimes there is not the appreciation that you would like to see. They say, "Yeah, that's great; you've got a $200 million hospital. But by the way, what about this problem? What about the personnel problem?" We wrote you a letter saying we need to get more personnel in the interim.

I am starting to understand that these are continual problems. They are the ones you face all the time and we face all the time. With the money that you have been given, with the figures that we went over just the other day, sometimes I'm astounded that you do the job you do.

I have a number of tough questions and some serious concerns, but I will stop today. I guess I am the last one to say I really appreciate what has happened in the last 6 months, in the last year, in the Veterans' Administration. "20/20", ABC and NBC, all of them, need to take time out and look at the patient figures that you're serving, on real dollars, from 1975 to 1985 in this new budget. I don't think they could find a better story on what is going on. So I appreciate it, I really do. I will save all those others for another time. I did write a letter on personnel; we do need a little help. But right now, I'm just going to say today that I can't be more pleased, after 6 years of sitting here, to see what has been going on at the VA.

Thank you, Mr. Chairman

The CHAIRMAN. Thank you, Mr. Mica. I think we all need to hear things like that.

Mr. MICA. And you're doing a good job, too, Mr. Chairman. [Laughter.]

The CHAIRMAN. I'll agree with that, and I will accept that.

For our visitors here today, this committee stands up and applauds the witnesses and we compliment each other. We enjoy a good laugh, and that's what it's all about in life.

Mr. Martinez of California was here and had to leave.

Mr. Wylie of Ohio, one of our ranking minority members, who has certainly been faithful on this committee for a number of years.

Mr. WYLIE. Thank you very much, Mr. Chairman. I think you're doing a good job, too, and I think John Paul Hammerschmidt is also doing a good job representing the minority.

The CHAIRMAN. I'll second that.

Mr. WYLIE. Let's get everybody in here.

I did want to apologize for being so late this morning, Mr. Walters. As you know, we have many problems up here trying to get to all of the various committee hearings that we want to attend. I had an emergency situation come up this morning. But I wanted to come and pay my respects to you and to let you know of my interest in seeing that an adequate budget for the VA is brought forth.

While I have the opportunity, I do think that the VA budget is an excellent budget, and I am also glad the Veterans' Administration is addressing the foreclosure problem and giving it full attention. I would commend you, Mr. Walters, for the work that has gone into the budget. I think it does you great credit, sir.

All of us get a little provincial at times, so I have to throw in a little something that is near and dear to me, and that is the Columbus outpatient clinic at Ohio State University. As you know, I was one of those who encouraged VA to get into that operation and it has been a tremendous success. The workload, however, is far greater than anybody ever anticipated it would be. I do think there might be a little staffing problem out there and I would encourage you to take a look at that. I see Dr. Custis is nodding his head knowingly there.

With that comment, Mr. Chairman, I know the hearing has gone on for a long time and I will stop. But again I compliment the panel here this morning in what you do and want to associate

myself with the remarks I heard a little earlier from Mr. Mica about how you do help our veterans.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Wylie.

We will have additional questions that we will submit to you, if you would answer those for the record.[1] I only have two comments. We do have another panel.

On the funding for the State veterans nursing homes, I want to commend you, Mr. Administrator, for almost doubling that amount, where the State would match these Federal funds. I really think that is the way to go, too, so these World War II and Korean veterans can be with their comrades and supported by the Federal Government, run by the States. I think that is an excellent program and I hope we can continue to move in that area.

To Miss Starbuck, today Mr. Hammerschmidt and I will take up the law that we hope will be enacted on the compensation bill, and also Senator Simpson will take up the legislation. We are in agreement now on our compensation bill and it will go into effect, a 3.5 percent cost-of-living increase for the service-connected veterans or their dependents. It will be effective April 1.

Thank you very much, Mr. Walters, for being here today.

Mr. WALTERS. Thank you, Mr. Chairman. It was a pleasure to be here.

The CHAIRMAN. Our next panel will consist of the Veterans of Foreign Wars, the Paralyzed Veterans of America, the American Legion, the Disabled American Veterans, and AMVETS, all old friends of ours.

Mr. Hammerschmidt and I have looked at the statements and they will be submitted for the record. If you could summarize, it would be most helpful to the committee. I appreciate your patience and for being here this morning. We will start with you, Don.

STATEMENT OF DONALD H. SCHWAB, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES; PAUL S. EGAN, DEPUTY DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, THE AMERICAN LEGION, AND ROBERT E. LYNGH, DIRECTOR, NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION, THE AMERICAN LEGION; STEPHEN L. EDMISTON, DEPUTY NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS; LT. COL. DAVID J. PASSAMANECK, USA, (RETIRED), NATIONAL LEGISLATIVE DIRECTOR, AMVETS; AND R. JACK POWELL, EXECUTIVE DIRECTOR, PARALYZED VETERANS OF AMERICA

Mr. SCHWAB. Thank you, Mr. Chairman. My name is Donald H. Schwab and it is my privilege to serve the 1.96 million men and women of the VFW as their national legislative director.

Mr. Chairman, the budget proposed by the President, in our opinion, reconfirms his commitment to our Nation's veterans, their dependents and survivors. It is a good budget and we support it. That is not to say that we don't have some concern and some problems with certain provisions. The construction budget is a fine one,

[1] See p. 102.

replacing hospitals, increasing the number of nursing home care facilities, and nearly doubling the grants to State homes for construction purposes. There is provision made for a cost-of-living increase in compensation and DIC and also an overdue cost-of-living increase for those availing themselves for educational benefits under the GI bill.

The medical care budget, Mr. Chairman, does cause us considerable concern. We view it as a decremental budget, and the Administrator did this morning, also. It doesn't allow for inflation or growth, and the VA can only so long do more with less. As Dr. Custis pointed out, they are going to have to start turning more and more people away on a priority basis.

We are extremely doubtful that the Department of Veterans Benefits can sustain an additional cut of 800 people this year. They have lost over 6,000 in the last 10 year period. We think the cut is unrealistic. We are just shocked and really disappointed that there was no money included for the Emergency Veterans Job Training Act of 1983, Public Law 98-77. I think the administration erred in this area. I think they are sending the wrong signal to Vietnam era veterans and we believe it would behoove the administration to reconsider funding in this area.

We are highly disturbed by the proposal to terminate property acquisitions by the VA following foreclosures. I go into this in detail in my prepared statement. But the bottom line is, the Mortgage Bankers Association seems to believe that VA home loans will be a thing of the past if this is implemented.

Mr. Chairman, in conclusion, the VFW fully realizes that with unprecedented Federal deficits not every budget can be what we hope and that compromises must be made. We certainly hope that this budget is the one enacted for the Veterans' Administration.

I thank you.

[The prepared statement of Donald H. Schwab appears at p. 114.]

The CHAIRMAN. Thank you, Don. That was a very fine summary.

The Chair will recognize Mr. Egan, who will introduce Mr. Lyngh.

STATEMENT OF PAUL S. EGAN

Mr. EGAN. Thank you, Mr. Chairman. Bob will be summarizing our remarks. But I think a couple of comments are in order.

First of all, regarding the VA home loan program, in the statements of every other member of this panel there are comments concerning the possible threat to veterans if the Grace Commission recommendations are implemented. We share those concerns, although we have to believe that the mortgage bankers are a bit self-serving when they hold themselves out as spokesmen for the best interest of veterans, while in the same breath tendering the threat that if the recommendation is implemented veterans will be hard pressed to find mortgage money. I make that comment not for the purpose of declaring war with the mortgage bankers, but instead, for the purpose of suggesting that if the home loan program is this vulnerable, it is high time we evaluated the entire program and looked seriously at ways it might be improved and protected against these kinds of threats in the future.

Thank you.

The CHAIRMAN. Mr. Lyngh.

STATEMENT OF ROBERT E. LYNGH

Mr. LYNGH. Mr. Chairman, the 2.6 million members of the American Legion appreciate the opportunity to present their views following an initial appraisal of the President's proposed budget for the VA for fiscal year 1985.

In a total Federal budget that begins to come close to $1 trillion the budget proposed for the Veterans' Administration represents 2.7 percent of the total proposed Federal expenditures for the coming fiscal year. All of this is a sobering thought on all counts.

In these tremendous fund outlays, the American Legion is, indeed, appreciative of the amounts identified for veterans programs. During the last several fiscal years both the President and Congress have shown themselves to be concerned about the necessary funding for those programs designed to care for the men and women who have defended the national interest in the Nation's Armed Forces.

We believe it is appropriate to point out also that in the various adjustments that have been made during the past 3 years in the many Federal programs, the Nation's veterans have seen changes in their benefit programs that have saved several hundred million dollars in outlays. Most of these changes, when proposed, were accepted by the American Legion because we represent the Nation's veteran population and veterans are responsible citizens. When all entitlement programs were being modified, we believed that veterans must do their share—and we have. We now go on to say that we believe all the adjustments in our programs that can be achieved without serious injury to the welfare of their beneficiaries have been accomplished. We will not be supportive of any proposals that in our judgment will result in real harm to those who are deservedly the beneficiaries of programs that recognize honorable service to the nation.

Under legislative initiatives, the significant legislative initiatives in the budget message relate to the cost-of-living adjustments in compensation and in readjustment benefits.

The American Legion has already agreed to the COLA for fiscal year 1984 to be effective April 1 of this year. We believe the Veterans' Affairs Committees are now considering when a COLA for fiscal year 1985 should be made effective. We will be supportive of an adjustment of an fiscal year 1985 COLA date accelerated to January 1, 1985.

In readjustment benefits, the administration is proposing a COLA of 15 percent in subsistence allowances for the various categories of beneficiaries in these programs. The last adjustment in these allowances was made effective on January 1, 1981, by Public Law 94-466. In the 2 succeeding years the American Legion recommended further adjustments in these subsistence allowances, making reference in each instance to the effects of inflation on the efforts of Vietnam era veterans to complete their education and training programs with the help of the subsistence allowances. What we are saying now is that the currently proposed adjustment

is badly needed and, in fact, overdue, considering the circumstances in which many of these veterans are having to subsist as they try to complete their readjustment.

Under Department of Veterans Benefits, what we have identified in the budget proposal that gives rise to concern is proposed personnel adjustment downward in the amount of 800 FTE's, which will bring DVB's FTE strength to 13,500. This loss is superimposed on previous year losses of 398 in fiscal year 1983, and 136 in fiscal year 1984, for a total FTE loss through fiscal year 1985 of 1,334. We must advise the committee that we cannot but be concerned at the effect of these losses on delivery of services to VA beneficiaries.

The only particular benefit we wish to mention in discussing programs administered by DVB is the burial benefit. This is the benefit, formerly paid in the amount of $300, to the survivors of all honorably discharged war veterans at the time of the veteran's death. We said then, and we say now, that benefits should not have been discontinued. It was unfair to do so and it should be restored by Congress.

Concerning the Department of Medicine and Surgery, we speak to medical and prosthetic research, geriatric research education, and clinical centers, grants to the Republic of the Philippines, and grants for construction of State extended care facilities. We ask the committee to consider our remarks while considering these activities.

If I may just conclude, Mr. Chairman. Under veterans employment and training, our statement on the fiscal year 1985 budget for veterans programs would not be complete without mentioning those programs designed to assist veterans with employment and training needs. In that regard, it is very disappointing to note the lack of any proposed funding for the second year of the emergency veterans job retraining program authorized by Public Law 98-77. As time and opportunity permit, we will be prepared and hope for the opportunity for discussion and dialog with the committee about other of the various veterans programs the committee will be considering during its present session.

Thank you, sir.

[The statement of Paul Egan and Robert Lyngh appears at p. 116.]

The CHAIRMAN. Thank you very much, Mr. Lyngh.

STATEMENT OF STEPHEN L. EDMISTON

Mr. EDMISTON. Thank you, Mr. Chairman. It is a pleasure to be here this morning on behalf of the 840,000 members of the DAV. We appreciate the opportunity that you have given us to comment on the VA's fiscal year 1985 budget.

As you know, the budget authority for the VA is up approximately $993 million over fiscal year 1984 estimates. Overall, we believe the VA budget request for fiscal year 1985 is a good one, in large part due to the efforts of Administrator Walters. In this regard, we would like to publicly thank Mr. Walters.

While the DAV lends its strong support to the funding request for fiscal year 1985, we do have some serious concerns which I would like to highlight now.

Employment in the Department of Veterans Benefits will decline dramatically in 1985 by some 800 in average employment. According to the VA, the reduction in personnel is a result of the anticipated decline in property management activities and department-wide improvement in productivity.

As you know, Mr. Chairman, the proposed reduction in DVB employees stems primarily from the recommendation of the so-called Grace Commission. The DAV strenuously objects to the scheduled employee reductions in DVB based upon this recommendation, as well as the recommendation itself regarding the VA's practice following foreclosure of VA guaranteed home loans. We will, however, support providing additional appropriations to the loan guarantee revolving fund should that become necessary.

With respect to the productivity improvements, we strongly recommend that the committee require substantiation of those improvements rather than permit the practice of wholesale across-the-board personnel reductions that fail to focus on the workloads of individual regional offices. Accordingly, we would respectfully request that the associated dollar savings in personnel reductions be restored to the VA's Department of Veterans Benefits.

In regard to the medical care account, Mr. Chairman, we are pleased to see some expansion of the GRECC program and the addition of nearly 1,000 nursing care beds in the system. However, we are concerned over the lack of growth projected in inpatient and outpatient care, as well as in medical personnel staffing. Upon close examination of past VA inpatient and outpatient treatment and staffing statistics, it becomes clearly evident that there has been little, if any, significant growth of the VA medical care program in recent years. Quite frankly, the outyear projections reveal the same trend. This type of health care planning for our Nation's veterans fails to acknowledge the growing demand that has been and will continue to be placed upon the VA's medical care system.

This condition, coupled with the fact that costs associated with the VA medical care program have for many years failed to keep pace with inflation in health care costs, further underlines the negative growth of the system. Mr. Chairman, we trust that you and the members of the committee would keep these concerns in mind when you are making your recommendations to the Budget Committee regarding the VA's medical care program.

The VA's construction request for fiscal year 1985 is up some $291 million. Of the total request, only $51 million is slated for nursing home construction. In our view, construction for new nursing home beds for providing care to our nation's aging veteran has not kept pace with the needs of these veterans. We believe greater emphasis should be directed to this area.

With respect to the special design fund requested by the VA, we would have no objections to that. And the DAV fully supports the $17 million increase in grants for construction of State extended care facilities.

With respect to the research account, the DAV respectfully requests support for the proposed increased funding for the VA rehabilitation, research and development program, as well as for the VA's medical and health services research in fiscal year 1985.

With respect to the proposed legislation in the administration's fiscal year 1985 budget request, the DAV has no objections to the proposed increase in educational subsistence allowances. However, we are adamantly opposed to the proposed effective date of April 1, 1985, for the cost-of-living adjustment in service-connected disability compensation and DIC benefits for fiscal year 1985. Mr. Chairman, we would strongly urge you and the members of the committee to recommend a full cost-of-living increase in disability compensation and DIC benefits for fiscal year 1985, effective December 1, 1984.

The CHAIRMAN. Let the Chair interrupt. I am going to ask Mr. Wylie to take the chair. Mr. Hammerschmidt and I have to go before the House Committee on funding for this committee. If the other witnesses will excuse us, I want to thank Mr. Walters and also Mr. Alvarez, and also Miss Starbuck, for staying here and listening to the testimony, which I think is important. I appreciate your being here. I'm sorry we have to run, but they're waiting on us over there now.

Mr. Wylie, would you please take the chair.

Mr. WYLIE [presiding]. This does demonstrate the bipartisan nature of this committee. As far as I know, this is the only standing committee in the House where I would ever be given the opportunity to be in the chair. Funding for the committee is very important but we do regret that the chairman and the ranking minority Member do have to leave at this time. I am taking the Chair here for purposes of receiving your testimony officially into the record, and I am pleased to do that.

Mr. Edmiston, why don't you continue.

Mr. EDMISTON. Thank you.

Regarding the lack of funding for the Emergency Veterans Jobs Training Program, the DAV rejects, like many others, the administration's assumption in this program and we would urge the committee to seek full funding for fiscal year 1985.

One final comment regarding veterans employment programs under the Department of Labor. We think their budget is a good one, also, and we hope that will assist this Nation's veterans in their endeavors to find employment.

Overall, Mr. Chairman, the DAV supports VA's budget request for fiscal year 1985, except in those areas we have noted.

Thank you again for inviting us here.

[The prepared statement of Stephen Edmiston appears at p. 122.]

Mr. WYLIE. Thank you, Mr. Edmiston.

Colonel Passamaneck.

STATEMENT OF DAVID J. PASSAMANECK

Colonel PASSAMANECK. Thank you, sir.

Mr. Chairman, AMVETS is pleased to present its views regarding the proposed Veterans' Administration budget for the fiscal year beginning October 1, 1984. We are grateful for the courageous and articulate professionalism of Harry N. Walters in charting an almost impossible course through the treacherous budgeting rapids of a fiscally conservative administration. He has demonstrated his unreserved dedication to the very best interests of America's veter-

ans and their families. Some battles have been lost, but not because this Administrator did not go all the way to advocate the legitimate needs of those who have borne the Nation's arms.

AMVETS appreciates the recommended 15-percent subsistence allowance increase for GI bill trainees. It is long overdue and most welcome. We believe that the recommendation regarding the operation of the Department of Medicine and Surgery, together with the construction and modernization budget, are encouraging and demonstrate that the VA is at least beginning to seriously confront the geriatric problem, the paramount issue for veterans in the late 1980's and 1990's. We are not unmindful, however, of the fact that the increase in allocations for medical care lag behind the private sector by approximately 3 percent. We also deplore the axing by OMB of the sorely needed clinical and nursing home addition to the Philadelphia Medical Center, placing in jeopardy a valuable land grant from the city, which expires in December 1986. The project would have established the only nursing home in Pennsylvania.

The continued drop in Department of Veterans Benefits personnel for the last 3 years, totaling about 1,500 full-time employees, is most discouraging and emblematic of a serious and unjustified lessening of credibility concerning the measurement of performance and workload within DVB. We are aware of and appreciate the rear guard defense against this erosion in DVB by Dorothy Starbuck, the Chief Benefits Director.

The administration declared, in presenting the VA budget, that the VA will, in mid-1984, begin the practice of dumping foreclosured properties on mortgagees. The mortgage bankers assure us that this will result in higher charges to veterans, most probably ending the current "no down payment" financing and, ironically, an average loss to the VA of approximately $20,000. Despite the Grace Commission origin of this policy change, it doesn't even appear to be good business, much less a fair shake for veterans. We understand that the suggested change has now been put on the back burner since publication of the budget. We hope it will stay there.

The VA budget reflects the refusal of the administration to fully fund the Emergency Jobs Training Act, just as they have refused to fund and implement the VA's role in small business assistance to veterans. Despite the gala celebration attendant to the President's signing the Jobs Act in New Orleans this past summer, they have made it clear that they do not intend to fully carry out the will of Congress concerning this program.

Apart from the specifics of this year's VA budget, AMVETS is extremely concerned with the underlying attitudes of this administration regarding the relative priority of veterans entitlements within the overall budget, and the earned special place of veterans in our society.

The recurrent practice of this administration of grouping veterans programs with other so-called middle-class entitlements is not only insulting to veterans, but completely inconsistent with the President's obvious sincere concern for the condition of our defense posture. In this connection, the handwriting is on the wall in this budget, with the ominous warning that in order to minimize the

need for future tax increases, veterans programs will be subject to intensive scrutiny.

Apparently, this administration, or at least the OMB, simply cannot understand that the cost of people is just as vital to national defense as the cost of hardware and weapons. The cost of people very definitely includes the earned entitlements of veterans. If this were the Armed Services Committee, I would say the same thing about military compensation, active and retired. Although this budget threatens to take more than a pound of flesh out of the veterans, presumably after the election, no mention is made of possible curbs in the geometrically expanding Social Security benefits, farm subsidies, or a hundred other frightfully expensive Government transfer and giveaway programs which were not earned by military service.

No mention is made of abolishing the Energy or Education Departments, as promised in the 1980 campaign, nor subjecting these Departments to intensive scrutiny.

The first responsibility of Government is national defense. The entitlements of veterans and the compensation of military personnel, active and retired, is a vital part of the cost of that defense. When we cut expenditures, the last thing we should do is cut them in this area. We trust that the intensive scrutiny approach represents OMB rhetoric, rather than the actual policy of a President who has thus far been very supportive of veterans programs.

This concludes my testimony and I would welcome any questions.

[The prepared statement of Col. David Passamaneck appears at p. 125.]

Mr. WYLIE. Thank you very much, Colonel Passamaneck.

I think maybe Mr. Walters will appreciate your comments better than the President, although you ended up there by suggesting that the policies so far haven't indicated a desire on the part of the administration to do something which is counterproductive, vis-a-vis the veterans. I think that is an accurate appraisal of the situation.

Mr. Powell.

STATEMENT OF R. JACK POWELL

Mr. POWELL. Thank you, Mr. Chairman. It is a pleasure for me to speak today on behalf of the members of the Paralyzed Veterans of America. I want to point out that I sincerely appreciate the willingness of this committee to hear the many different voices of concern about veterans programs and the fiscal year 1985 VA budget.

Historically, Mr. Wylie, PVA and other veterans service organizations, and individual veterans, have relied upon the wisdom and energies of this committee and the Congress as a whole to secure adequate funding for the programs and services administered by the Veterans Administration.

This year, as he did last year, President Reagan has submitted a relatively adequate budget proposal. It is PVA's opinion that this is a result of the leadership and efforts demonstrated by the chairman and members of the House Committee on Veterans' Affairs, and we sincerely thank you for that.

PVA supports the administration's fiscal year 1985 budget proposal for the Veterans Administration. The proposed budget authority, if accepted by the Congress, will generally preclude the diminution of VA programs. The proposal such as funding for medical care and construction of nursing homes represents a real attempt to improve existing VA services and redress past neglect.

There are certain provisions, however, which we must question. First, PVA is concerned with the proposed reduction of 800 FTE's in the Department of Veterans Benefits. We do not oppose such a reduction if veterans will continue to be served in a timely and efficient manner. We recognize that the Department of Veterans Benefits has increasingly sought to upgrade its computer and word processing capability. If managerial and technical inovations provide the rationale for the 800 FTE reduction, we support such cost efficient efforts. But we remind all involved that a reduction in personnel carries with it a concommitant commitment to continue the investment in technological and management tools.

An additional concern regarding the reductions in DVB is the proposed elimination of property acquisitions, which has been commented on here greatly today. This action is as a result of a cost saving recommendation by the Grace Commission, which has also been commented on. PVA, because of the comments here by the Administrator, will reserve its comments pending the submittal of a supplemental appropriation for this function toward the direction of the original proposal.

The President's fiscal year 1985 budget contains a proposed increase of 4.3 percent in the rates of compensation and Dependency and Indemnity Compensation. PVA welcomes this proposal because we continue to believe that veterans and their survivors must not be subjected to the erosive effects of inflation. However, we must question the proposed April 1, 1985 effective date of this increase. Last year, when we were supportive of the 6 month delay in increases, we were led to believe that all future increases were to commence on December 1. At the end of the last session of Congress, the Senate affirmed this position by including it as a provision of S. 1388, the Veterans Compensation and Program Improvement Amendments of 1983. That seems to have slipped in this submittal.

Another issue of concern to the members of PVA is the proposal not to fund the second year of the Emergency Veterans Job Training Act of 1983. We are very trusting people and we trust that the budget assumption proves to be correct and a viable economy will afford veterans employment. We also trust that if the assumption proves wrong, the administration and this committee will act to provide the necessary funds.

Mr. Chairman, PVA welcomes the President's proposal to continue to provide significant funding for the Veterans' Administration's construction programs, particularly the increase in funding for the construction of health care facilities. The construction budget indicates this administration recognizes the importance of adequate facilities if the VA is to perform its assigned functions. This is particularly true regarding the emphasis on the construction of new nursing homes.

While the construction proposal is a positive sign, however, it raises several questions. We certainly mentioned Baltimore here, and we have mentioned Philadelphia. It doesn't seem to make a lot of sense, especially on the facility in Philadelphia, where we understand the land is available free of charge to the Government until 1986, to not fund an effort in 1985 and take advantage of that free land.

We are pleased to note the increased funding in medical and prosthetics research. We believe research is of great importance to our members and to thousands of other veterans who have experienced catastrophic disabilities. The proposed increase in rehabilitation research is particularly significant in that developments in this area directly affect the day-to-day lives of spinal cord injured veterans. The VA has long been a leader in rehabilitation research, and continued adequate funding is essential if catastrophically disabled veterans are to achieve maximum independence.

We are also pleased that funding has been provided for increased capital investment for research. The VA needs to replace obsolete, outmoded equipment and facilities if an environment conducive to modern research is to be maintained.

The importance of research to the VA, individual veterans, and all Americans, cannot be overemphasized. Mr. Slattery asked a question earlier today about the difference in staffing ratios, and it was responded to by the Chief Medical Director that there are programs underway to establish various management and assessment resource allocation tools. We believe that primarily what he was speaking to was DRG's or diagnostic related groups. One of the problems with DRG's is that in no way does that formula contain any mechanism whatsoever to evaluate the quality of medical care provided. It evaluates the proficiency, the productivity, but not the quality of care. One of the most important ways the VA has been able to maintain quality of care has been through the personnel that it has attracted through its research funding opportunities, and through its medical school affiliations. Obviously, therefore, funding for research is extremely important to keep up the quality, even as we look at ways of examining cost effectiveness in the delivery of care.

Finally, Mr. Chairman, I must comment on recent statements by the Director of the Office of Management and Budget, as have many of my predecessors here. In addressing future budgets and the reduction of Federal deficits, the Director has specifically targeted veterans health care as a source of spending and deficit reductions. Perhaps the Director fails to recognize the linkage between the attempts, which he supports, and veterans, who he does not. Perhaps his failure comes from a lack of experience on his part with either. We strongly request that this committee, as it has done in the past, challenge and rebuke such considerations by the Director of OMB and others who view the provision of services to the Nation's veterans as an expedient source for eliminating the Nation's fiscal problems.

One last thing I would like to point out. It was earlier requested by, I believe, Mr. Hammerschmidt that a chart added to the budget showing in real dollars, from 1975 to 1985, might prove illustrative. We also believe that, while that chart would prove illustrative, so

would a chart comparing the number of persons and number of dollars treated by the VA in constant figures from 1975 to 1985, compared against the costs associated with those people treated in other governmental programs and in the private sector programs. Because it is our belief that the VA still remains one of the most economical forms of health care that can be provided in this country, and that can be demonstrated, we believe.

Mr. Chairman, that concludes my testimony. Thank you very much.

[The prepared statement of R. Jack Powell appears at p. 127.]

Mr. WYLIE. Thank you very much, Mr. Powell.

I want to thank each and every one of the members of this very distinguished panel for your excellent and responsible statements this morning. They will be taken into account as we consider the budget further during deliberations of this committee.

I don't want to abuse the privilege of this Chair so I think I will now close the hearing. I think the fact that I am in the chair, though, shows the bipartisan nature of this committee and how we have worked on a continuing basis for the best interests of the veteran.

I know that you will all be back for answers to questions that we might have to help us in any way you can as we develop a budget for this year.

With that, we will stand adjourned at this time. Thank you very much.

[Whereupon, at 11:45 a.m., the committee adjourned.]

APPENDIX

Statement of the Honorable Harry Walters
Administrator of Veterans Affairs

Mr. Chairman and members of the Committee, I am honored to appear before you today to testify in support of the Veterans Administration's fiscal year 1985 budget. This budget, when approved, should permit the VA to accomplish its major goals for 1985 and successfully meet the challenges it now faces. The levels should allow us to provide appropriate, timely and high quality services -- both medical and non-medical-- to veterans and other beneficiaries and to improve the adequacy of our physical plant through a balanced construction program. I am particularly pleased to be supporting a significant medical and rehabilitative research program within the Department of Medicine and Surgery and a much needed rate increase for trainees receiving GI Bill benefits.

The total budget authority request for 1985 is $27.2 billion which consists of an appropriation request of $25.8 billion, funding related to permanent authorizations of $792 million, and new proposed legislation of $662 million. The request includes an average employment level of 223,296.

The request represents an increase of nearly $1 billion in budget authority over the requested 1984 level of $26.2 billion, which includes $301 million in supplemental requirements. The request also represents a net increase of 2,231 average employment over the 1984 level of 221,065. I will now highlight the appropriation request by account.

Compensation

For Compensation we are requesting a 1985 appropriation of $9.8 billion with two legislative proposals - a 3.5% rate increase to be effective April 1, 1984 and 4.3% rate increase to be effective April 1, 1985. Assuming enactment of both of these proposals, additional funding of $161 million will be required in 1984 and a total of $528.1 million additional will be required in 1985.

Pensions

Pensions are estimated at $4 billion, including an automatic cost-of-living increase of 4.3% effective December 1, 1984. This level is $66 million above the 1984 estimate.

Burial Benefits and Miscellaneous Assistance

Burial benefits and miscellaneous assistance will require a $1 million increase in 1985, to a level of $142 million, as higher mortality affects all parts of the program.

Readjustment Benefits

A projected net decrease of 107 thousand trainees will reduce the 1985 requirements by $305 million below 1984. A legislative proposal for a 15% rate increase in GI bill subsistence allowances is included at a cost of $132.7 million in 1985. Assuming enactment of this proposal, the total 1985 requirement is $1.3 billion, a net decrease of $172 million below 1984.

Loan Guaranty

No appropriation is requested for this fund for 1985 at this time. The VA will work with the Department of Housing and Urban Development and the Federal Housing Administration to establish consistent regulations throughout the Federal Government. Based on the outcome of these discussions, the VA will reassess its resource needs.

General Operating Expenses

For the General operating expenses appropriaton, we are requesting $757 million in budget authority and 19,500 in average employment. While we are requesting an increase of $34 million in budget authority, we also are proposing a net decrease of 684 average employment from the 1984 level.

Program enhancements include initial staffing and equipment for the National Cemetery at Ft. Mitchell, Alabama and full year funding for the Ft. Richardson, Alaska and Ft. Custer, Michigan National Cemeteries; the addition of 2 new board sections for the Board of Veterans Appeals - for a total of 21; completion of the expansion of Centralized Accounting for Local Management to all regional offices; and, three new ADP initiatives - electronic printing at the Hines, Austin and Philadephia DPC's, office automation for Central Office and the Data Processing Centers and TARGET network improvements.

In the Department of Veterans Benefits, requirements are up a net of $5.7 million due to higher space rental costs, a legislative proposal to increase reporting fees payable to institutions of higher learning, normal payroll increases, and funding for word processing equipment for Regional Offices. Average employment, however, will decrease by 800 to a level of 13,500. Workload decreases and productivity increases will allow a decrease of 432, implementation of the new Federal policy for the housing programs will require 136 fewer average employment, and general management improvements will permit a decrease of 232.

Medical Care

The Medical care appropriation request for 1985 is $8.8 billion, an increase of $563 million over the 1984 level. Average employment is projected to increase by 2,747 to an all-time high of 193,321. We project treating 5,000 more inpatients to a level of 1.4 million, and outpatient medical visits are projected to increase by 79 thousand to a level of 18.7 million. The increased resources will also provide for the activiation of 10 new VA nursing home care units - Bronx, New York; Dallas, Texas; Denver, Colorado; Fresno, California; Seattle, and Spokane, Washington; Washington, D.C.; Wichita, Kansas; West Los Angeles, California; and Salt Lake City, Utah. Two new outpatient clinics will be activated, one in Daytona Beach, Florida and the other in Pensacola, Florida. These increases will also provide partial year activation resources for four medical centers - Biloxi, Mississippi; Birmingham Alabama; Chillicothe, Ohio; and Denver,Colorado.

In addition, the 1985 request provides for new or expanded initatives in the areas of automated data processing decentralization; the establishment of a new Geriatric Research, Education and Clinical Center - bringing the total to 10; and an increase of 6 new Hospital Based Home Care programs - expanding the total to 49 programs.

Medical and Prosthetic Research

The 1985 total request for Medical and Prosthetic Research of $192.7 million and 4,595 FTEE is $25 million below the 1984 level. This, however, is due to a reduction of $45.3 million in the 1985 requirements for the Agent Orange Epidemiology Study being conducted by the Centers for Disease Control. When the two year funding requirements for this study are excluded, the basic VA research programs are increasing by $20.3 million and 155 average employment. These increases will continue to support high priority research programs in Agent Orange, aging, health of former POW's, alcoholism, health problems of female veterans, spinal cord injury, delayed stress disorders, cancer, preventive health, and prosthetic/sensory aids.

Medical Administration and Miscellaneous Operating Expenses

The 1985 request for this program of $73 million is an increase of $6 million over the 1984 level. This level of funding, and an average employment increase of 16 to a level of 876, will provide for medical program supervision and administration, a postgraduate and inservice training program of $13.3 million, and a health professional scholarship program of $4.6 million to support 187 full-time and 200 part-time scholarship awards to nursing students in baccalaureate and masters degree programs.

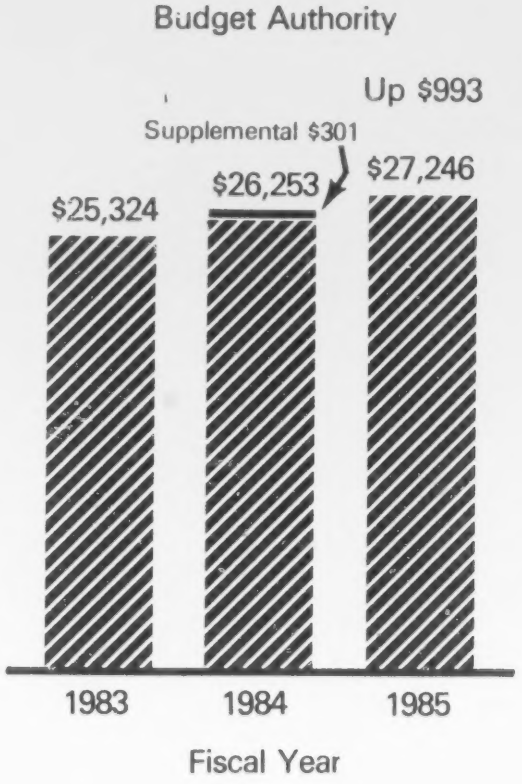
Construction

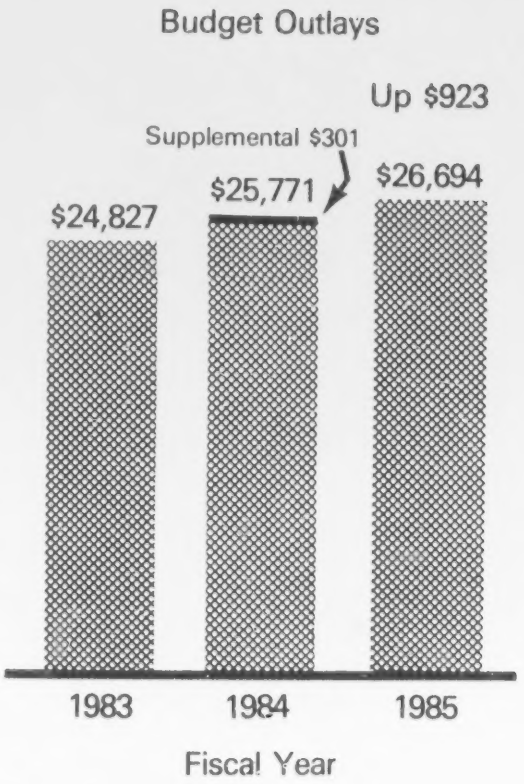
The 1985 request for the two construction appropriations totals $821.8 million; the use of reprogrammed funds from previous appropriations will bring the total program level to $941.8 million. This level includes $859.7 million for medical facility projects and $20 million for a design fund, $2.8 million for the Department of Veterans Benefits Regional Office program, $17.2 million for the National Cemetery program, $1 million for the proposed Emergency Fund and $41.1 million for General Administration. As in past years, we are emphasizing the correction of safety and other code deficiencies.

There are 56 projects in the major projects construction request. Seven nursing home care unit projects, including the renovation of an existing structure at West Los Angeles, will add 729 nursing home beds. The clinical improvements category includes three spinal cord injury units. Six outpatient clinic projects, including construction funds for a new independent clinic building in Los Angeles are also included. We are requesting funds for site preparation or acquisition, design or initial construction for replacement or modernization projects at VA Medical Centers in Allen Park/Detroit, MI; Augusta (Lenwood Division), GA; Houston, TX; Mountain Home, TN; and New York, NY.

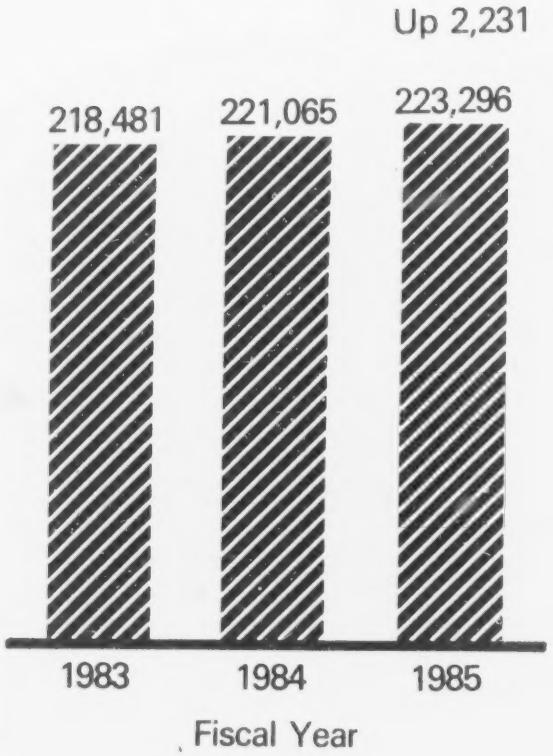
FY 1985 Budget

(dollars in millions)





Average Employment



Dept. of Medicine and Surgery	+ 2,924
Dept. of Veterans Benefits	− 800
Dept. of Memorial Affairs	+ 25
Office of Construction	+ 14
General Administration	+ 91
Supply Fund	− 23
Total VA	+ 2,231

FY 1984 Supplemental Requirements

(dollars in thousands)

	PROGRAM SUPPLEMENTAL	PAY RAISE SUPPLEMENTAL	TOTAL SUPPLEMENTAL
PENSIONS	$101,900	...	$101,900
READJUSTMENT BENEFITS	52,200	...	52,200
MEDICAL CARE	15,000	$118,688	133,688
MEDICAL AND PROSTHETIC RESEARCH	...	1,381	1,381
MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES	...	451	451
CONSTRUCTION, MINOR[1/]	...	(668)	(668)
GENERAL OPERATING EXPENSES	3,588	7,811	11,399
	$172,688	$128,331	$301,019

[1/] Limitation Increase Only.

Proposed Legislation

(dollars in thousands)

	1984	1985
COMPENSATION:		
• 3.5% FY 1984 RATE INCREASE (4/1/84)	$161,000	$321,800
• 4.3% FY 1985 RATE INCREASE (4/1/85)	...	206,300
READJUSTMENT BENEFITS:		
• 15% INCREASE IN SUBSISTENCE ALLOWANCES	...	132,700
REINSTATED ENTITLEMENT PROGRAM FOR SURVIVORS:		
• 3.5% COST OF LIVING INCREASE EFFECTIVE 4/1/84	200	...
GENERAL OPERATING EXPENSES:		
• INCREASE REPORTING ALLOWANCE FEE	...	1,585
• SAFE INGRESS/EGRESS NATIONAL CEMETERIES		100
TOTAL, VA	$161,200	$662,485

Compensation
(dollars in millions)

	Caseload	Average Payment
Veterans	2,255,800	$3,546
Survivors	342,500	5,326
Clothing Allowance	66,500	327
Change from 1984:		
Veterans	– 4,500	– 6
Survivors	– 2,500	+ 38
Clothing Allowance	– 100	---

1985 Appropriation without the rate increases would be $9.8 billion.

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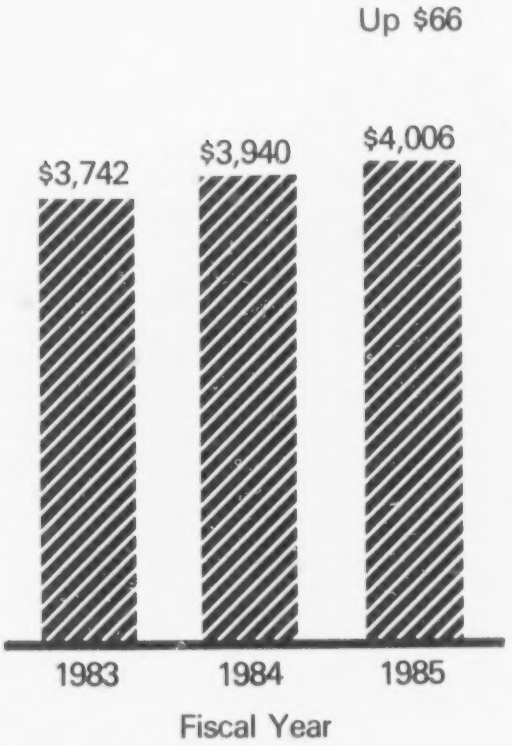
Pensions

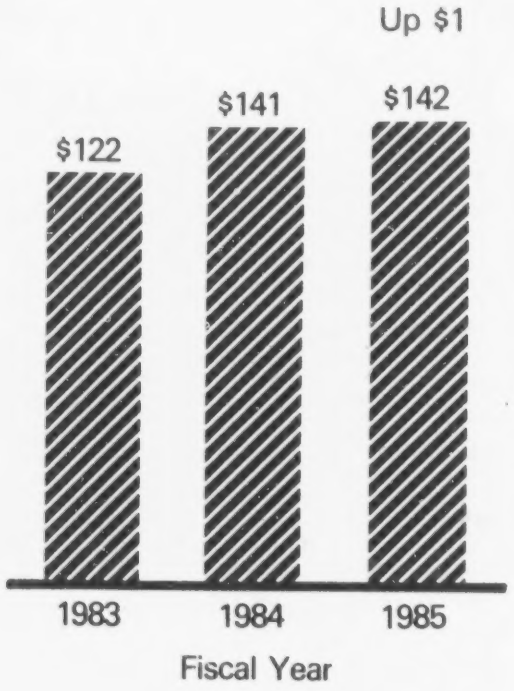
(dollars in millions)



	Caseload	Average Payment
Veterans	732,200	$ 3,601
Improved Law	414,600	5,149
Prior Laws	317,600	1,581
Survivors	817,700	1,675
Improved Law	238,900	3,604
Prior Laws	578,800	879
Total	1,549,900	2,585
Change from 1984:		
Veterans	– 30,800	$ + 236
Survivors	– 52,300	+ 97
Total	– 83,100	+ 172

Burial Benefits and Miscellaneous Assistance

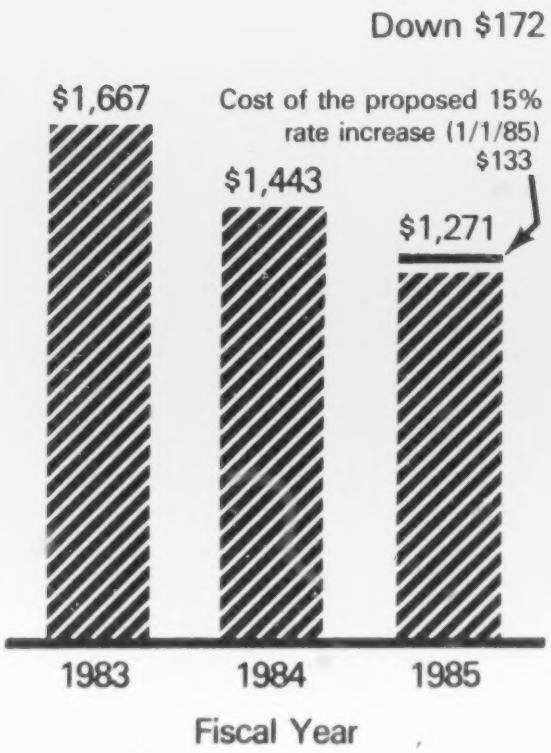
(dollars in millions)



	Caseload	Average Payment
Burial Allowances	139,000	$ 352
Burial Plots	325,000	150
Burial Flags	350,000	26
Mortgage Insurance	6,285	716

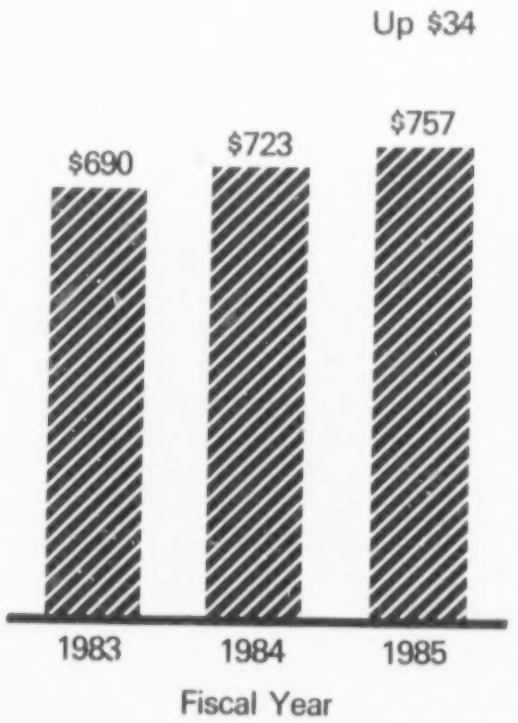
Readjustment Benefits

(dollars in millions)



	Caseload	Average Payment
Vietnam Era	461,200	$ 1,808
Dependents	73,900	2,169
Rehabilitation	33,000	3,963
Housing Grants	500	27,000
Auto Grants	700	4,400
Change from 1984:		
Vietnam Era	– 103,100	$ – 203
Dependents	– 4,300	– 13
Rehabilitation	+ 500	+ 59

General Operating Expenses
(dollars in millions)



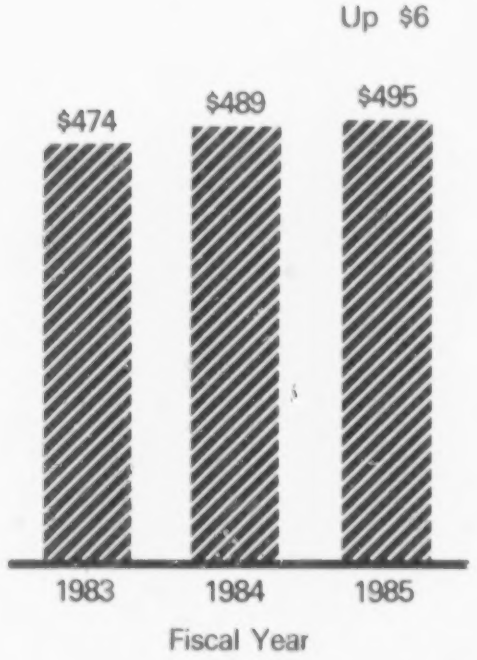
Average Employment Down 684 to 19,500

Major Funding Changes:

● Veterans Benefits	$ + 5.7
● Memorial Affairs	+ 3.8
● General Administration	+ 24.1

Department of Veterans Benefits

(dollars in millions)



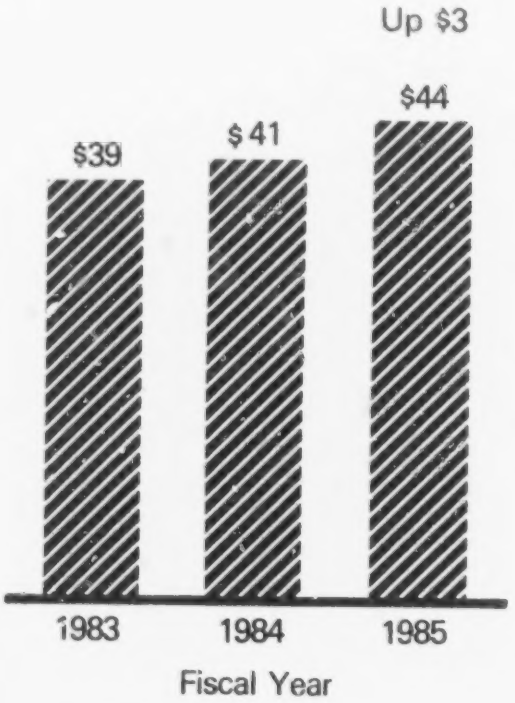
Average Employment Down 800: (14,300 to 13,500)

Major Funding Changes:

- Management Initiatives:
  - Claims Process Improved (-232 FTEE) ... $ – 6.6
  - Housing Policy Change (-136 FTEE) .... – 3.9
- Productivity Improvements and Workload Reductions (- 432 FTEE) ..... –12.1
- Word Processing and Loan Guaranty Equipment ..... + 4.4
- Reporting Fee Allowance (Prop. Leg.) ..... + 1.6
- Annualization of Pay Raise and Other Payroll Increases ..... +18.3
- Higher Space Rental Costs ..... + 5.1
- Other Miscellaneous ..... – 1.1

Department of Memorial Affairs

(dollars in millions)



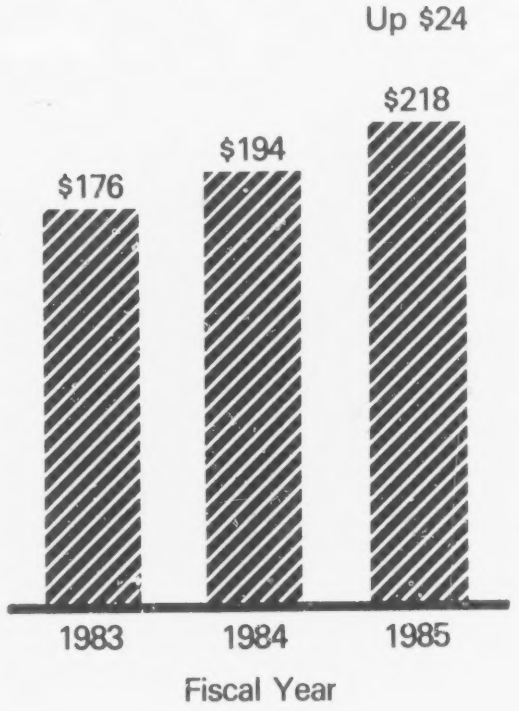
Average Employment Up 25: (1,193 to 1,218)

Major Funding Changes:

• Interment Workload Growth and Cemetery Expansion	+ 1.3
• Maintenance	+ .5
• Equipment and Other Program Increases	+ 1.0

General Administration

(dollars in millions)



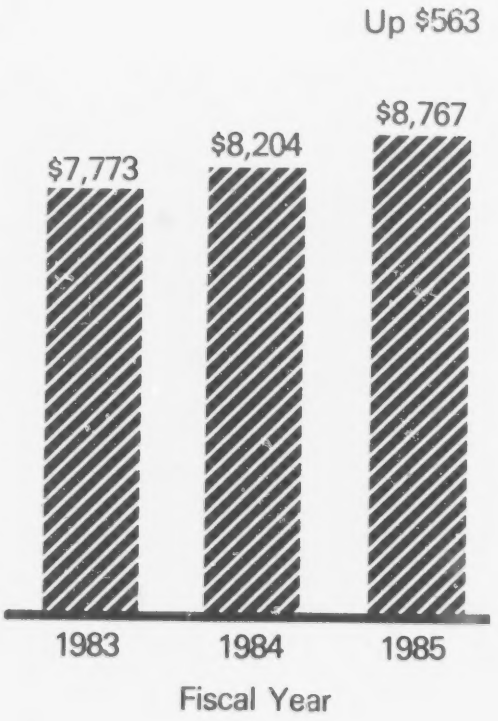
Average Employment Up 91: (4,691 to 4,782)

Major Funding Changes:

- Higher Level of Appeal Processing .....$ + 1.8
- Increased Facility Audits ..... + 2.3
- General Counsel Workload..... + 0.6
- Automated Systems Enhancements (CALM, and Other Financial Systems)..... + 2.3
- New ADP Initiatives..... + 2.7
- Improved Public Affairs Capabilities ..... + 0.3
- Space Rental Costs ..... + 6.9
- Increased Rentals and Communications Costs ..... + 5.1
- Annualization of Pay Raise, Social Security + 2.2

Medical Care

(dollars in millions)



Average Employment up 2,747 to 193,321

Funding up $563 million:

• Normal Payroll Increases	$ +184
• Inflation	+176
• Activations and Capital Investment	+161
• Other Program Improvements	+ 20
• All Other	+ 22

Provides for:

- 10 New Nursing Home Care Units
- 2 New Outpatient Clinics and Expansion/Improvement of Eight Others
- Increase in Patients Treated 4,834
- Increase in Outpatient Visits 79,000

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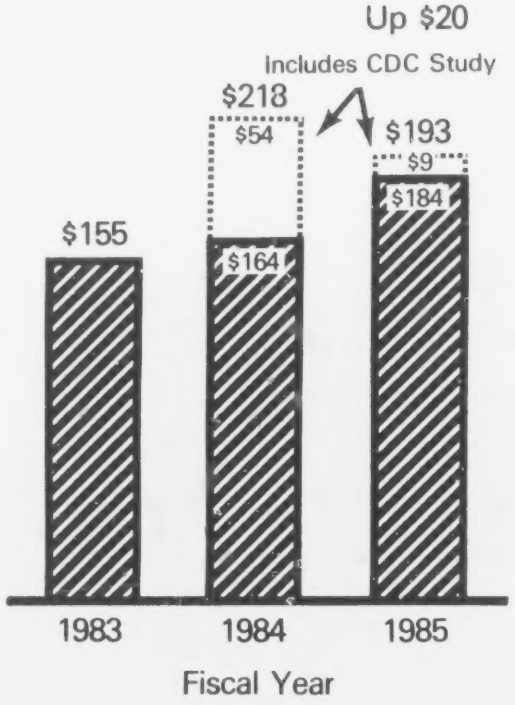
Medical and Prosthetic Research

(dollars in millions)



Average Employment Up 155 to 4,595

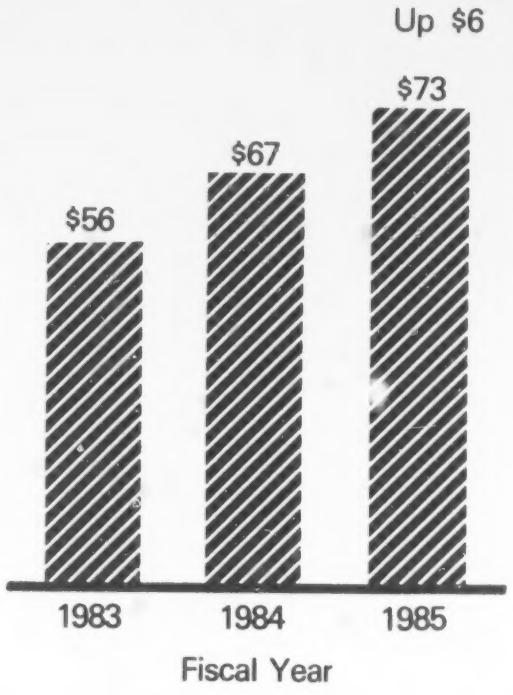
Funding Up $20 million:	FTEE	Amount
● Medical Research	118	$16
● Rehabilitation Research	19	3
● Health Services	18	1
Net Total	155	$20

Maintain High Priority Programs:

- Support Agent Orange
- Aging
- Health of Former POW's and Female Veterans
- Spinal Cord Injury
- Delayed Stress
- Preventive Health
- Prosthetics/ Amputations

Medical Administration and Miscellaneous Operating Expenses

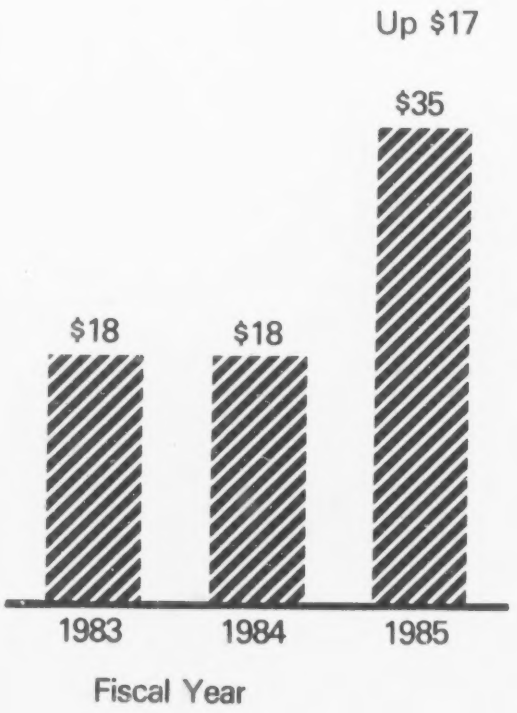
(dollars in millions)



- Average employment Up 16 to 876

- Funding up $6 million:
  - Medical Administration ..... $+3.7
  - Postgraduate & Inservice Training ..... +2.1
  - Health Professional Scholarships ..... +0.2

Grants for Construction of State Extended Care Facilities



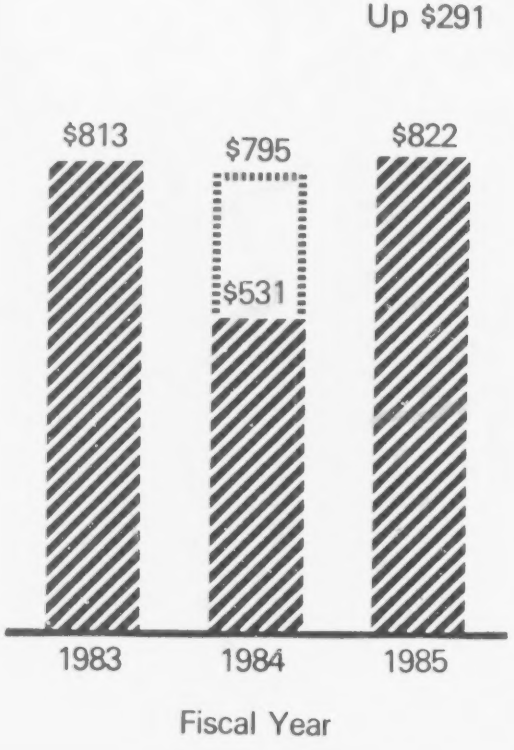
Funding up $17 million

Provide for Additional:

- 56 Hospital Beds
- 226 Nursing Home Beds
- 126 convertible (Domiciliary/Nursing Home) Beds

Construction Programs Summary

(dollars in millions)



Average Employment Up 14 to 854

(Includes Purchase and Hire)

Program Funding:	Total	Change
● Medical Program	$759.7	$ +288.4
● Cemetery Program	17.2	+ 8.7
● Veterans Benefits	2.8	– 1.0
● Emergency Fund	1.0	+ 1.0
● ODM&T	...	– 2.2
● General Administration (779 FTEE Excluding P&H)	41.1	– 4.2
	$821.8	$+290.7

Medical Construction Program

(dollars in millions)

	FY 1985
Replacement and Modernization	
• ALLEN PARK, MI -- (SITE PREPARATION/ACQUISITION)	$ 8.0
• AUGUSTA, GA -- REPLACEMENT (DESIGN)	12.4
• HOUSTON, TX -- REPLACEMENT (DESIGN)	28.6
• MOUNTAIN HOME, TN -- BEDTOWERS & RENOVATION (DESIGN AND SITE PREPARATION)	11.3
• NEW YORK, NY -- ADDITION AND ALTERATIONS (DESIGN AND PHASE 1 CONSTRUCTION)	17.7
TOTAL	$ 78.0
Nursing Home Care (NHC)	
• ALEXANDRIA, LA -- 120 BED NHCU	$ 5.4
• DURHAM, NC -- 120 BED NHCU, RESEARCH, GERIATRIC & CLINICAL	8.8
• MURFREESBORO, TN -- 120 BED NHCU	5.6
• PRESCOTT, AR -- 120 BED NHCU	8.3
• PROVIDENCE, RI -- 60 BED NHCU	5.2
• SAN FRANCISCO, CA -- 120 BED NHCU (GARAGE)	3.0
• SAN JUAN, PR -- 120 BED NHCU AND 10 BED BLIND REHABILITATION CENTER	9.0
• WEST LOS ANGELES (WADSWORTH), CA -- 117 BED NHCU	5.5
TOTAL	$ 50.8

Medical Construction Program (Cont.)

(dollars in millions)

	FY 1985
Domiciliaries	
• WEST LOS ANGELES (WADSWORTH), CA -- RENOVATE BUILDINGS	$ 11.7
TOTAL	$ 11.7
Research and Education	
• BUFFALO, NY -- RESEARCH BUILDING AND CLINICAL EXPANSION	$ 16.3
• MINOR PROJECTS	5.0
TOTAL	$ 21.3
Outpatient Improvements	
• BROCKTON (WEST ROXBURY), MA -- OUTPATIENT, RESEARCH AND EDUCATION	$ 42.8
• GRAND JUNCTION, CO -- OUTPATIENT ANC CLINICAL ADDITION	12.1
• IOWA CITY, IA -- AMBULATORY CARE AND CLINICAL ADDITION	20.8
• LOS ANGELES, CA -- OUTPATIENT BUILDING	41.1
• SHERIDAN, WY -- OUTPATIENT ADDITION	10.4
• SHREVEPORT, LA -- AMBULATORY CARE	6.2
• MINOR PROJECTS	2.4
TOTAL	$ 135.8

Medical Construction Program (Cont.)

(dollars in millions)

	FY 1985
Electrical Improvements	
• OMAHA, NE -- ELECTRICAL, FIRE AND SAFETY	$ 5.5
• TOPEKA, KS -- ELECTRICAL CORRECTIONS	8.2
• OTHER MAJOR PROJECTS (3)	9.7
• MINOR PROJECTS	6.0
TOTAL	$ 29.4
Fire/Safety Improvements	
• COATESVILLE, PA -- FIRE AND SAFETY	$ 11.7
• LYONS, NJ -- FIRE AND SAFETY	13.3
• PITTSBURGH (HIGHLAND DRIVE), PA -- FIRE AND SMOKE, MODERNIZE HVAC, SECONDARY ELECTRICAL	32.2
• OTHER MAJOR PROJECTS (3)	15.9
• MINOR PROJECTS	19.2
TOTAL	$ 92.3

Medical Construction Program (Cont.)

(dollars in millions)

	FY 1985
General Projects	
• ALBANY, NY -- MODIFY WARDS	$ 25.2
• OTHER MAJOR PROJECTS (7)	27.5
• MINOR PROJECTS	94.7
TOTAL	$ 147.4
Seismic	
• MARION, IL -- SEISMIC CORRECTIONS	$ 5.7
• MINOR PROJECTS	2.0
TOTAL	$ 7.7
Other Improvements	
• ADVANCE PLANNING FUND	$ 17.0
• ASBESTOS ABATEMENT	25.0
• ENERGY CONSERVATION	5.2
• DESIGN FUND	20.0
• EMERGENCY FUND - MINOR	1.0
TOTAL	$ 68.2

Medical Construction Program (Cont.)

(dollars in millions)

	FY 1985
Clinical Improvements	
• ALEXANDRIA, LA -- CLINICAL IMPROVEMENTS	$ 26.9
• AMARILLO, TX -- ADDITION AND RENOVATION	22.0
• CHEYENNE, WY -- EXPAND AND RENOVATE	14.6
• CLARKSBURG, WV -- ADDITION AND ALTERATIONS	21.6
• DURHAM, NC -- ADDITION	29.4
• LEXINGTON, KY -- ADDITION	32.0
• LONG BEACH, CA -- 160 BED SPINAL CORD INJURY, ADDITION AND OUTPATIENT CLINIC	23.0
• LOUISVILLE, KY -- CLINICAL AND EDUCATIONAL ADDITION	12.5
• PALO ALTO (PALO ALTO DIVISION), CA -- SPINAL CORD INJURY ADDITION	15.2
• OTHER MAJOR PROJECTS (4)	20.7
• MINOR PROJECTS	18.2
TOTAL	$ 236.1
Elevators	
• MINOR PROJECTS	$ 2.0
TOTAL	$ 2.0

Veterans Benefits Construction Program

(dollars in millions)

	FY 1985
• MINOR PROJECTS	$ 2.8

Cemetery Construction Program

(dollars in millions)

• FT. SNELLING, MN. - ADMINISTRATION AND SERVICE BUILDING	$ 3.4
• RIVERSIDE, CA - DEVELOP 40,000 GRAVE SITES AND ADDITIONAL FACILITIES	6.0
• MINOR PROJECTS	7.8
TOTAL	$ 17.2

1984 Pay and Related Requirements

(dollars in thousands)

	TOTAL REQUIREMENT	ABSORBED	SUPPLEMENTAL
MEDICAL CARE	$147,779	$29,091	$118,688
MEDICAL & PROSTHETIC RESEARCH	3,148	1,767	1,381
MEDICAL ADMINISTRATION & MISCELLANEOUS OPERATING EXPENSES	976	525	451
GENERAL OPERATING EXPENSES	17,096	9,285	7,811
CONSTRUCTION, MINOR	668	668	...
TOTAL	$169,667	$41,336	$128,331

Veterans Administration

Office of Inspector General

REPORT OF AUDIT

CONTRACT COUNSELING SERVICES PROVIDED UNDER THE

VIETNAM ERA VETERANS READJUSTMENT COUNSELING PROGRAM

REPORT NO.: 4R8-A12-024

DATE: JANUARY 27, 1984

SUMMARY

The Office of Inspector General audited the contract readjustment counseling program to determine if controls were adequate to insure that services were effectively delivered and that program funds were not misused. As of July 31, 1983, the VA had expended about $5.9 million for contract counseling under 451 contracts. The audit reviewed nine contracts held by seven providers. The VA had paid these providers about $620,000.

In our opinion, management attention should be directed to improving program controls in order to assure that intended counseling services are provided only to eligible veterans. Our review of the nine contracts disclosed that a substantial number of individuals had received counseling services which in our view were not intended under the program and that services had been provided to ineligible persons. We also found that three of the seven contractors may have billed the VA for services that were not provided. Problems experienced under the program generally stem from a failure to bring administrative guidelines into a single, well-defined document and from failure to monitor contractor performance in a timely manner.

We recommended that Readjustment Counseling Service clarify program policies, enforce controls pertaining to determining eligibility and authorizing services, and establish new controls to help insure the integrity of the program. Senior program staff in the Department of Medicine and Surgery have agreed with the audit recommendations. However, they have expressed some concern regarding the Department's ability to obtain adequate resources to implement necessary corrective measures.

Office of Inspector General

OFFICE OF INSPECTOR GENERAL

PART I
INTRODUCTION

A. Purpose

The audit was performed to determine if controls in the contract readjustment counseling program were adequate to insure that appropriate services were effectively delivered to eligible persons and that program funds were not misused.

B. Background

In June 1979 Public Law 96-22 established the Readjustment Counseling Program for Veterans of the Vietnam Era. The mission of the program is to provide counseling and related mental health services aimed at resolving psychological, behavioral, or social impairments which interfere with the veteran's readjustment to civilian life. The law authorized the delivery of counseling services through contracts with private providers when the VA cannot provide economical care because of geographical inaccessibility of the veteran, or because the VA cannot meet the specific needs of a veteran because of resource constraints.

The contract counseling program is administered by the Department of Medicine and Surgery (DM&S), Readjustment Counseling Service. At the field level, veterans outreach centers are responsible for managing contract counseling activities. Supply Service at the VA medical center of jurisdiction provides contract management an administration support.

Although the Congress appropriated funds for contract counseling in 1979, the VA did not implement the program until 1982. Senior program staff advise that the delay occurred because of problems encountered in completing a request for proposal that would ensure adequate administrative safeguards along with effective delivery of counseling services. In April 1982 the VA began awarding contracts in locations where a need for counseling providers had been identified. As of July 31, 1983 there were 451 contracts in effect. The total amount paid under these contracts was about $5.9 million ($850,000 paid in Fiscal Year 1982 and $5 million paid in Fiscal Year 1983).

C. Scope

Based on interviews with program officials and on an analysis of financial and workload data, the audit team selected seven contractors for review. In choosing our sample, we considered factors such as size of contracts, the need to select locations in several areas of the United States, and the track records of various contractors as perceived by program officials in Central Office. Contracts selected for review were not intended to represent a statistically valid presentation of all contracts awarded. Rather, they were intended to provide a basis for determining the adequacy of program administrative controls and for answering specific concerns raised by program staff.

The audit focused on 1982-83 contracts. At the time of the audit the VA had paid the seven providers $620,000. This represents about 10.5 percent of the total amount obligated for all 1982-1983 contracts during Fiscal Year 1982 and Fiscal Year 1983 through July 31, 1983. The contractors audited were:

PROVIDER	TYPE OF ORGANIZATION	AMOUNT PAID
Re-Entry, Inc. (Leesburg, VA and Cumberland, MD)	private profit	$175,265
Swords to Plowshares (San Francisco, CA)	private non-profit	147,022
Williams & Williams (Denver, CO)	private profit	88,294
Santa Cruz County Department of Veterans Services (Santa Cruz, CA)	public non-profit	76,125
Seattle Veterans Action Center (Seattle, WA)	public non-profit	58,785
Newport Diagnostics (Newport, OR)	private profit	50,385
California Counseling Associates (Mountainview, CA)	private profit	24,530

In performing the audit we reviewed pertinent laws, regulations, policies, financial data, and workload information. We discussed program goals, objectives, and policies with Readjustment Counseling Service officials and collaborated closely with these officials throughout the audit. We interviewed operating-level staff at VA medical centers and outreach centers. We discussed contract requirements with contractors and their employees. To confirm that services were provided as charged, we interviewed veterans whose names appeared on bills submitted to the VA. At VA medical centers we reviewed Supply Service contract files and Medical Administration Service payment records. At outreach centers we reviewed administrative and counseling records. At contractor offices we reviewed counseling notes, appointment books, and various other records to determine whether charges to the VA were accurate and whether authorized services were provided.

There have been no previous audits of the contract readjustment counseling program, so there were no earlier findings to consider during this audit. The audit was done in accordance with generally accepted government audit standards.

PART II
RESULTS OF AUDIT

A. FINDINGS AND RECOMMENDATIONS

Management Attention is Required to Insure that Contract Counseling Services are Effectively Delivered

We reviewed payments for services provided to 1,485 clients. Of those reviewed, 720 had received services which in our view were not intended under the program and 135 were not eligible to receive program benefits. The combined cost of services provided these individuals totaled $278,000. In addition, we found irregularities indicating that three contractors may have billed the VA for services that were not provided. Audit results indicate that existing internal controls did not insure that services were effectively delivered and that the program was protected from abuse. In our opinion, this problem resulted from a failure to develop adequate program administration resources in the several outreach centers and to effectively monitor contractor performance. (See Exhibits A and B for additional explanation of improper contractor billings.)

Recommendations:

In order to improve program controls, we recommend that the Department of Medicine and Surgery:

1. Consolidate contract counseling policies and procedures into a single program guide which describes eligibility criteria, specifies authorized services, and delineates the responsibilities of contractors, Veterans Outreach Center staff and Medical Center Supply and Medical Administration Service staff.

2. Re-emphasize existing internal controls:

a. Medical Administration Service should determine the eligibility of each applicant in a timely manner.

b. A VA mental health professional or vet center staff member should have a personal or telephonic contract with each applicant to insure that counseling is needed.

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c. Contracting Officer's Technical Representatives (COTR) should insure that contractors meet contract requirements, that services are delivered as billed, and that services are authorized under the program.

3. Establish new internal controls:

a. Require veterans to provide sufficient information to enable a determination of program eligibility.

b. Require veterans to sign a certification that counseling services have been provided.

c. Require contract providers to keep counseling records that specifically describe the veteran's readjustment problem, the kind of counseling provided, and the progress in resolving the problem.

d. Require contractors to submit bills showing the full name of the person who received counseling and the dates that counseling was provided.

Discussion

Contractors have provided services not intended under the program and have not excluded ineligible clients.

A veteran is generally considered eligible for readjustment counseling if he/she served in the military during the Vietnam Era and was discharged under other than dishonorable conditions. An eligible veteran is entitled to readjustment counseling if a VA mental health professional makes a clinical determination that the veteran has a psychological, behavioral, or social impairment that affects his ability to readjust to civilian life and that this impairment was caused by or is related to the veteran's military experience.

According to program officials, a course of readjustment counseling must include the performance of a comprehensive psychosocial assessment. All relevant problems of a client must be assessed. Services then performed by way of counseling may be in any of the several sub-components of readjustment counseling, to include psychological counseling, family counseling, either of the foregoing in either a group or individual format, or educational or employment

counseling. Whatever the specific sub-type of counseling provided, the capacity for ongoing comprehensive psychosocial assessment must be present.

Providers may counsel a veteran's relatives if this counseling is necessary to resolve the veteran's psychological or behavioral problem and is specifically authorized by the VA. In such cases the veteran and his/her relative should normally be counseled together. Contractors may not charge the VA for general mental health services provided to veterans' relatives.

Providers may not charge the VA for technical employment assistance (such as job referral), technical discharge upgrade assistance, emergency food and lodging assistance and or technical benefits claims assistance, if these forms of technical assistance are free-standing, that is, performed outside the context of a comprehensive psychosocial assessment and continuing counseling approach. Legal advocacy and medical care are in no context authorized or reimbursable services.

These eligibility and entitlement standards suggest that the provider and the VA authorizing official should ask four basic questions:

- Is the applicant a Vietnam Era veteran?

- Was the applicant discharged under honorable conditions?

- Does the applicant have a psychological, behavioral, or social impairment which affects his ability to readjust to civilian life?

- Is this impairment related to the applicant's military experience?

The internal controls in the contract counseling program did not insure that these questions were asked and answered. Adequate controls were not established, and existing controls were not enforced. As a result, services were provided to ineligible individuals.

Discussion of Audit Results

Determination of veteran eligibility and the appropriateness of services provided touches on issues of program staff and counsel determination. In this regard, the audit staff requested COTR assistance in determining the appropriateness of services provided in selected cases, and requested General Counsel to provide interpretative guidances on veteran eligibility for program benefits. Following guidance from these program and staff elements, we determined that only one contractor of seven reviewed, Williams and Williams, had provided services as intended under the program and maintained adequate records to support charges to the VA. These records included counseling notes which adequately documented the client's readjustment problem, the kind of counseling being provided, and the progress in resolving the problem. Significant deficiencies were found at the other six contractors.

- Re-Entry, Inc. provided general mental health services to veterans' relatives. This treatment was unrelated to the veterans' readjustment problems.

- Swords to Plowshares principally provided legal assistance on discharge upgrades and veterans benefits claims. In our view, these were not intended under the program.

- The Seattle Veterans Action Center (Sea-VAC) provided readjustment counseling to some veterans, but most clients received job referrals, benefits claims assistance, or other services considered unauthorized by the auditor.

- Newport Diagnostics did not keep adequate documentation. Although we interviewed a small sample of clients, we could not obtain sufficient information to conclusively determine whether they had received valid readjustment counseling as billed to the VA.

- California Counseling Associates did not keep adequate counseling records. However, by interviewing counselors and clients, we determined that this contractor was generally providing intended readjustment counseling.

- The Santa Cruz County Department of Veterans Services did not keep counseling notes. By interviewing veterans we

determined that this organization was generally providing readjustment counseling. However, because of billing errors and misunderstandings of contract provisions, the Department had overcharged the VA about $5,000.

Service to Ineligible Persons

Two contractors, Re-Entry, Inc. and Swords to Plowshares, provided services to large numbers of ineligible persons. We reviewed two of Re-Entry's eight contracts with the VA. Of 3,915 counseling sessions charged to the VA, 1,834 were for treatment provided to veterans' relatives. We reviewed records pertaining to 78 of these relatives who accounted for 1,322 counseling sessions. In all of these cases the counseling that the relatives received was unrelated to the veterans' readjustment problems. In many cases the veterans themselves either were not in counseling or participated only occasionally. The assigned VA, COTR agreed with the auditors' determination that counseling services should not have been provided under the program to these relatives. The cost of services provided to ineligible relatives under the two Re-entry contracts was $60,105.

The VA's three contracts with Swords to Plowshares improperly allowed them to provide discharge upgrade assistance and other services to clients who were ineligible because they were discharged from military service under conditions other than honorable.1/ Of 177 clients provided services, 49 were either ineligible or had not been determined eligible. Services to this group cost the VA $43,125.

Unauthorized Services

Two of the contractors reviewed, Swords to Plowshares and Sea-VAC, provided non-counseling assistance to clients.

Swords specialized in assisting veterans with discharge upgrades and benefits claims and appeals. Swords also offered employment referral services and assistance with housing and welfare. Most of the staff at Swords' San Francisco office were attorneys, and there were no mental health professionals on the staff. The staff told us they

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1/ Had all clients in this category been subjected to routine Agency eligibility screening processes, some of them with other than dishonorable discharges may have been entitled to contractual services.

had never provided psychological readjustment counseling. Instead, they referred clients who needed counseling to the VA outreach center or to community mental health care providers. From July 1982 through April 1983 Swords' San Francisco office billed the VA for 1,973 client visits. We reviewed a sample of 622 visits billed between December 1982 and April 1983. Records showed that 387 visits were for legal assistance, 200 visits were for employment referrals, and 35 visits were for social services assistance. These services cost the VA $26,670.

Sea-VAC provided some readjustment counseling. However, most veterans received other services such as benefits assistance or job referrals. Based on our review of available records, and interviews with Sea-VAC staff and clients, we concluded that most of the 582 veterans who visited Sea-VAC fewer than four times received some service other than readjustment counseling. Ten of 16 veterans whom we interviewed stated that they had sought various kinds of non-counseling assistance from Sea-VAC.

The contract program is vulnerable to abuse.

Internal controls in the contract counseling program are not adequate to deter contractors from submitting false claims for reimbursement. We found indications that three of the seven cntractors may have billed the VA for services that were not provided.

- One contractor charged the VA for individual counseling when group counseling may have been provided. Three of four clients we interviewed stated that they had received group, not individual counseling. The other veteran stated that he had last attended counseling in December 1982. The contractor, however, had billed the VA for seven counseling sessions provided between January and March 1983.

- Another contractor did not maintain records to document client visits. Only two of the six clients we interviewed confirmed receiving services as billed to the VA. Three clients stated that they had attended considerably fewer sessions than were billed. One client stated that he had never received any services, although the VA had been charged for 19 counseling sessions.

- Another contractor billed the VA for individual counseling of veterans' families when conjoint counseling was

actually provided. The contractor's bills and clinical records indicated that each family member was counseled individually at different times. We contacted five veterans whose families had received counseling. All five veterans stated that their families had been counseled together, at the same time, by the same counselor. In one case the contractor billed the VA for 12 individual sessions when the charge should have been only $45 for one conjoint session.

Readjustment Counseling Service should improve program direction and strengthen internal controls.

Program Direction

Readjustment Counseling Service has not issued adequate guidance for the day-to-day management of the contract program. Direction has been provided in several ways -- professional services letters, teletyped messages, oral instructions, and the protocol for the contract program. However, policy direction has not been consolidated into a single program guide or operations manual that delineates the responsibilities of outreach centers, Medical Administration Services, and Supply Services. Operating level staff perceive program direction as unclear. Several of the staff we interviewed -- outreach center team leaders, contracting officers, and administrative personnel -- expressed uncertainty about the purpose of the program, day-to-day management procedures, and program issues pertaining to eligibility and entitlement.

Enforcement of Existing Internal Controls

VA outreach centers and medical centers responsible for managing the contracts generally did not follow existing internal controls. There are three major controls -- determining eligibility, authorizing counseling, and monitoring contractor performance.

Determining Eligibility:

VA policy (M-1, Part 1, Chapter 16) requires the Medical Administration Service (MAS) to determine each applicant's eligibility for counseling.

Medical centers were generally not complying with this requirement. Of the five medical centers reviewed, only VAMC Martinsburg routinely determined the eligibility of all applicants. (However, many of the persons actually counseled under the Martinsburg contracts with Re-Entry, Inc. were not the eligible veterans but their ineligible relatives.)

VAMC's Seattle and Denver had improperly delegated the eligibility determination responsibility to the outreach centers, which in turn relied on contractors to determine eligibility. VAMC San Francisco made determinations on some applicants, but if there was any question about eligibility no final determination was made. VAMC Portland was not determining eligibility.

Medical centers did not determine eligibility because contract program guidance does not specifically require determinations from MAS or instructions as to what information should be obtained to enable a determination. The contract counseling program does not have a mechanism, such as an application for counseling, for gathering or reporting this information.

Authorizing Counseling:

Under each counseling contract, a vet center staff member or VAMC/OPC professional staff member usually the outreach center team leader, is responsible for authorizing the services to be provided by the contractor. This authorizing official is supposed to assess the veteran's need for counseling and refer him to the provider. VA policy (DM&S Professional Services Letter, 11-82-26) requires the authorizing official to at least conduct a telephone interview with the applicant In practice, the veteran usually visits the contractor first. The contractor assesses the veteran's need for counseling and requests an authorization to provide services. This practice developed because it was not always possible for the authorizing official to do an in-person psychological assessment on every applicant.

Five of the seven authorizing officials interviewed did not properly comply with this requirement. Only the two officials at the San Jose Outreach Center were routinely interviewing veterans before allowing California Counseling Associates and the Santa Cruz County Veterans Affairs Office to provide services. Authorizing officials at the Seattle,

Portland, Denver, and San Francisco outreach centers did not interview applicants and generally authorized all services proposed by the contractors. During most of the contract year the authorizing official in Martinsburg had no contact with either the applicant or the contractor, and the contractor's bills were paid without any determination of clinical need. This practice stopped in April 1983 when the authorizing official began interviewing applicants.

Monitoring Contractor Performance:

A VA mental health professional, usually an outreach center team leader, is assigned as the Contracting Officer's Technical Respresentative (COTR) for each counseling contract. The COTR is responsible for insuring that the provider meets the technical requirements of the contract and properly bills the VA for services provided. Six of the seven COTR's interviewed had not monitored their contracts. To properly monitor a contract, the COTR must visit the contractor's offices to review records. Only the COTR responsible for the contract with Re-Entry, Inc. did this. He found many of the problems described in this report (primarily the treatment of relatives) and began taking corrective action.

In our view, there are three reasons why COTR's did not monitor performance. First, they were not knowledgeable about contract provisions and program requirements. Second, they did not consider their COTR duties to be an important element of their responsibilities as outreach center team leaders. Third, Readjustment Counseling Service did not issue adequate guidance regarding contract monitoring procedures.

New internal controls are needed to assure the integrity of the contract counseling program.

In our opinion, additional controls are needed to help insure that contractors submit accurate bills and that COTR's have adequate documentation to evaluate contract compliance.

- The veteran should be required to apply for readjustment counseling by providing the minimum information (DD 214, Name, SS No., etc.) needed by MAS personnel to make

an eligibility determination. The application is an important control because it will provide enough information for MAS to determine and document the applicant's eligibility for couseling.

- After each counseling session the veteran should be required to sign a certification that counseling has been received. The contractor should submit this certification with the contract billing as evidence that services were provided as charged.

- Readjustment Counseling Service should insure that contract requirements for adequate counseling records are met.

- Contractors should be required to show on their bills the dates that counseling was provided. The standard contract now requires only that the bills reflect the number of counseling sessions provided. The dates of counseling are necessary so that the COTR, in monitoring contractor performance, can compare the bills to the counseling records.

EXHIBIT A

LISTING OF QUESTIONABLE COSTS BY CONTRACTOR

PROVIDER	TOTAL PAID	INAPPROPRIATE SERVICES TO VETERANS/1	SERVICES TO POSSIBLY INELIGIBLE VETERANS/2	SERVICES TO OTHER INELIGIBLE PERSONS/3	MISCELLANEOUS OVERCHARGES/4	TOTAL AMOUNT QUESTIONED
Re-Entry	$175,265	$7,795	$1,980	$60,105	$19,290	$89,170
Swords To Plowshares	147,022	103,897	43,125	0	0	147,022
Williams & Williams	88,294	0	100	0	0	100
Santa Cruz County Department of Veterans Services	76,125	0	1,981	0	4,819	6,800
Sea-VAC	58,785	32,880	40	0	0	32,920
Newport Diagnostics	50,385	0	120	965	0	1,085
California Counseling Associates	24,530	0	0	0	605	605
TOTALS	$620,406	$144,572	$47,346	$61,070	$24,714	$277,702

1/ Includes job referrals, benefits claims assistance, social services assistance

2/ Individuals discharged under conditions other than dishonorable whose eligibility has not been established by the VA

3/ Veterans' relatives being treated for mental health problems unrelated to the veterans' readjustment problems

4/ Charges in excess of contract limitations and billing errors

EXHIBIT B

LISTING OF COUNSELING CLIENTS BY ELIGIBILITY AND ENTITLEMENT STATUS

CONTRACTOR	TOTAL CLIENTS	VETERANS PROVIDFD INAPPROPRIATE SERVICES/1	INELIGIBLE VETERANS/2	OTHER INELIGIBLE PERSONS/3	TOTAL CLIENTS INELIGIBLE OR INAPPROPRIATE SERVICES
Re-Entry, Inc.	232	11	1	78	90
Swords to Plowshares	177	128	49	0	177
Williams & Williams	153	0	1	0	1
Santa Cruz County Department of Veterans Services	201	0	3	0	3
Sea-VAC	663	581	1	0	582
Newport Diagnostics	31	0	1	1	2
California Counseling Associates	28	0	0	0	0
TOTALS	1,485	720	56	79	855 (58% of total clients)

1/ Benefits claims assistance, socials services assistance, job referrals, etc. provided to veterans who were not receiving psychological readjustment counseling

2/ Individuals discharged under conditions other than honorable whose eligibility had not been established by the VA

3/ Veterans' relatives receiving services unrelated to veterans' readjustment problems

Veterans Administration

Memorandum

Date: January 27, 1984

From: Chief Medical Director (10)

To: Inspector General (50)

Subj: Draft Report of Audit - "Contract Counseling Services Provided Under the Vietnam Era Veterans Readjustment Counseling Programs"

We have reviewed the subject report and concur with the findings and recommendations. Implementation of some recommendations will be contingent upon the availability of resources. Specific comments and implementation plans will be addressed at a later date.

DONALD L. CUSTIS, M.D.

VA FORM 2114
DEC 1981

Veterans Administration

Memorandum

Date JAN 24 1984

To Assistant Inspector General of Auditing (52)

From Director, Office of Procurement and Supply (93B)

Subj Draft Report of Audit of Contracting Services Provided Under the Vietnam Era Veterans Readjustment Counseling Program (your memo dated 1/3/84)

1. I am pleased to respond to the draft audit report on the contracts Readjustment Counseling Program.

2. We concur in your recommendations and are prepared to assist the Department of Medicine and Surgery to the extent required to develop adequate guidance to the field on the contracts program.

3. The draft audit identifies $277,702 in questioned costs. If made a part of the final audit report, copies of the audit should be provided to the appropriate contracting officers for final resolution of the costs. We would anticipate that each contracting officer will require documentation from your office to be used in issuing Bills for Collection if such action is warranted.

4. One major problem which has had a great impact on the problems identified in your audit report is the lack of resources to adequately manage the contracts program. As originally established, once the contract was signed by the contracting officer, the role of Contracting Officer's Technical Representative (COTR) would be crucial to the success or failure of the contracts program. While a COTR designation was prepared for each COTR, realistically we knew that oversight by the COTR would be by exception, i.e., when the COTR became aware of a problem, he would so advise the contracting officer who, in that capacity, would take corrective action. It is physically impossible for a COTR under the present scheme of things to function in the role of a COTR that is envisioned by this draft audit report or is expected in a normal contract environment. Though, as we have already indicated that we concur in your recommendations, once directives and program guidance are issued by Central Office, implementation of your recommendations will be contingent on adequate resources.

Clyde C. Cook

CLYDE C. COOK

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MAY 1983
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Committee VA Budget

February 13, 1984

Doctor Ian E. Bush, Acting President
Association of VA Investigators and Research Administrators
P. O. Box 334
Hartford, Vermont 05047

Dear Doctor Bush:

Thank you for your letter of February 7th, regarding the Fiscal Year 1985 budget for the VA Medical and Prosthetics Research program.

As you requested, your letter will be made a part of our full Committee hearing record on the VA's Fiscal Year 1985 budget. I am very supportive of the VA's Medical and Prosthetics Research program, and appreciate the many contributions the program has made toward enhancing medical care for our nation's veterans.

Sincerely,

G. V. (SONNY) MONTGOMERY
Chairman

bpd

ASSOCIATION OF VA INVESTIGATORS AND RESEARCH ADMINISTRATORS

HERBERT C. ROSE, M.D.
President
PHILIP K. BONDY, M.D.
Vice-President
IAN E. BUSH, Ph.D.
Secy-Treas.

P. O. Box 334
Hartford, Vermont 05047

February 7, 1984

The Hon. G. V. Montgomery
Chairman, Veterans Affairs Committee
U. S. House of Representatives
335 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Montgomery:

I am writing on behalf of VA physicians and researchers about the FY-1985 budget request for the VA Medical and Prosthetics Research Program.

We deeply appreciate the part your Committee has played over the last several years in securing the firm recognition of the importance of research in the VA system of medical care. And in the face of the serious problem of the Federal deficit this year, the proposed increases in the appropriations for Rehabilitation research and for Health Services research (approximately 30% and 18% respectively) are generous and welcome indeed. However, these programs make up only 10% of the Medical and Prosthetics Research budget, and we are concerned that the still serious problems faced by the Medical research program itself may be overlooked if we do not call attention to what lies behind the figures presented in the President's FY-1985 budget request.

Thus, the requested $172.6m seems generous until it is realized that this figure still includes approximately $13.1m for those parts of the Agent Orange epidemiology studies which have not been transferred with the major part to the Center for Disease Control. This, as you know, is a special, emergency program that does not contribute to hospital care or to the ongoing Medical research program. Thus, the effective budget for Medical research itself is approximately $159.5m, representing a net increase of $16.2m over FY-1984 (about 11.3%). Of this, we estimate that $7.2m will be required to meet "uncontrollables" leaving $9m to meet the still lingering effects of the disastrous cut-backs in the research budget of 1982.

We feel that these effects may not be sufficiently well known and would urge your Committee to give close attention to them. The major problem we see can be summarized as follows:

1. Under-funded investigator-initiated projects: Due to "priority scaling" and other measures introduced to conserve scarce funds, a large number of these projects— the core of VA medical research— are now seriously slowed down or delayed. We estimate that approximately $15m would be needed to bring these projects up to full vigor.

The Hon. G. V. Montgomery
Washington, D.C.

February 7, 1984

2. A realistic estimate is that approximately $10-12m would be required to correct the growing problem of obsolete or defective scientific equipment.

3. Requests for start-up equipment (often extremely mundane basics such as water-baths and laboratory stools) have not been honored for over a year. Central Office estimates a $3-3.5m backlog of such requests.

4. The entry of young doctors into the program has been seriously discouraged by the general shrinkage of funds and by the limitations on the Career Development Program.

We know that it is impossible to deal with all these shortages at once: we are taxpayers as well as dedicated physicians and researchers! But it is clear that the $9m real increase in the request for Medical research is seriously inadequate to meet urgent and genuine needs— perhaps by as much as $21.5m. We would earnestly ask you to consider the possibility of a modest increase in the President's suggested budget which might enable the backlogs described above to be eliminated over the next three to four years. Such a commitment, though small, would have a significant practical effect on a critical situation and an even larger one upon morale. Without it, we fear that the Medical research program will be in serious trouble within the next year or two.

We are extremely grateful for your consideration of our problems and would ask that you insert this letter into the record of testimony received by your Committee.

Sincerely,

Ian E. Bush, M.B., B.Chir., Ph.D.
Secretary/Treasurer, and
Acting President, AVIRA

33-805 O—84——8

WRITTEN COMMITTEE QUESTIONS AND THEIR RESPONSE

QUESTIONS OF CHAIRMAN G.V. (SONNY) MONTGOMERY

Question 1. Why is the Baltimore replacement hospital missing from the fiscal year 1985 budget?

Answer. Due to budgetary constraints the Administration had to delay some VA construction requests. Veterans' medical care needs in the Baltimore area will be considered in the course of an upcoming, comprehensive Administration study.

The VA is assessing the renovation of Loch Raven to meet the medical needs in that area.

Question 2. How many reductions in grades among your GS–11 through GS–15 personnel do you expect over the next two years? How will you make the reductions? How much money will you save?

Answer. The VA is committed to cost-effective position management and accurate position classification. Therefore, the Administrator recently established an executive-level committee to address OPM's position management initiative, to develop a plan of action, and to make policy recommendations for the implementation of this initiative.

At this time, no goal for reductions has been established. If it is determined that reductions in the number of VA GS–11/15 positions is required, we expect that they will be achieved without RIFs or downgrading of encumbered positions.

Question 3. Why is the schedule of permanent positions omitted from this year's budget submission? Please furnish an equivalent to this chart, along with average grade trends for each appropriation account.

Answer. The schedule of permanent positions was omitted from this year's budget submission because the President's Budget no longer requires reporting of these data and adjustments in the GS 11–15 and GS–1–10 categories have not been determined. The attached schedules for each appropriation account are preliminary with respect to the 1985 distribution.

MEDICAL CARE

[Permanent positions by grade]

	1983 actual	1984 estimate	1985 estimate [1]
ES–4	1	1	1
GS/GM–15	111	117	114
GS/GM–14	478	498	490
GS/GM–13	2,631	2,710	2,663
GS–12	3,400	3,491	3,508
GS–11	7,669	7,870	7,808
GS–10	1,133	1,163	1,476
GS–9	7,025	7,213	7,309
GS–8	2,072	2,129	2,159
GS–7	8,415	8,641	8,756
GS–6	9,851	10,111	10,246
GS–5	29,240	30,000	30,400
GS–4	27,310	28,015	28,388
GS–3	5,678	5,824	5,902
GS–2	327	335	339
GS–1	15	15	15
Subtotal	105,355	108,132	109,573
Grades established under 38 U.S.C. 4107:			
Director	160	164	166
Executive	166	170	172
Chief physician and dentist and service director	6,563	6,736	6,573
Senior physician and dentist	1,058	1,086	1,312
Assistant director nurse	90	92	90
Intermediate physician and dentist	99	102	140
Chief nurse	356	365	359
Full physician and dentist	24	25	28
Senior nurse	2,245	2,304	2,263

MEDICAL CARE—Continued

[Permanent positions by grade]

	1983 actual	1984 estimate	1985 estimate [1]
Associate physician and dentist	1	1	2
Intermediate nurse	8,392	8,613	8,491
Full nurse	11,524	11,828	12,309
Associate nurse	1,501	1,541	1,562
Junior nurse	590	606	614
Subtotal	32,769	33,633	34,081
Ungraded	37,648	38,641	39,156
Total permanent positions	175,773	180,407	182,811
Unfilled positions, end of year	−5,293	−5,385	−5,450
Total permanent employment, end of year [2]	170,480	175,022	177,361
AVERAGE GRADE/SALARY [3]			
Average ES salary	$63,800	$66,000	$66,000
Average GS grade	6.17	6.17	6.17
Average GS salary	$18,079	$18,899	$19,034
Average salary, grades established by 38 U.S.C. 73	$32,871	$34,362	$34,652
Average salary of ungraded positions	$19,929	$20,876	$21,450

[1] Reflects grade/pay reductions in the GS/GM 11–15 grades and the equivalent title 38 positions.
[2] Includes 5 worker-trainee opportunity positions, 161 disability retirees and 4 junior fellowships.
[3] Reimbursable employment cannot be separately identified by grade, therefore, average grade and salary for direct and reimbursable are considered the same.

MEDICAL AND PROSTHETIC RESEARCH

[Permanent positions by grade]

	1983 actual	1984 estimate	1985 [1] estimate
GS–17	1	1	1
GS–16	3	3	3
GS/GM–15	55	50	49
GS/GM–14	71	71	71
GS/GM–13	205	205	202
GS–12	186	186	186
GS–11	247	246	235
GS–10	32	32	47
GS–9	439	430	430
GS–8	92	92	92
GS–7	525	522	522
GS–6	267	267	267
GS–5	537	537	538
GS–4	213	213	216
GS–3	42	40	43
GS–2	2	2	2
GS–1	3	3	3
Subtotal	2,921	2,900	2,907
Grades established under 38 U.S.C. 4107:			
Medical director	5	5	5
Executive	1	1	1
Chief physician and dentist and service director	89	91	77
Senior physician and dentist	15	15	27
Intermediate physician and dentist	2	2	4
Senior nurse	8	8	7
Intermediate nurse	30	30	27
Full nurse	42	43	47
Associate nurse	6	6	6

MEDICAL AND PROSTHETIC RESEARCH—Continued

[Permanent positions by grade]

	1983 actual	1984 estimate	1985 [1] estimate
Subtotal	198	201	201
Ungraded	277	260	260
Total permanent positions	3,396	3,361	3,368
Unfilled positions, end of year	−100	−95	−85
Total permanent employment, end of year [2]	3,296	3,266	3,283
AVERAGE GRADE/SALARY [3]			
Average GS grade	8.03	8.02	8.00
Average GS salary	$20,964	$21,461	$21,424
Average salary, grades established by 38 U.S.C. 73	$63,663	$65,334	$65,891
Average salary of ungraded positions	$20,710	$21,254	$21,435

[1] Reflects grade/pay reductions in the GS/GM 11–15 grades and the equivalent Title 38 positions.
[2] Includes 4 disability retirees.
[3] Reimbursable employment cannot be separately identified by grade, therefore, average grade and salary for direct and reimbursable are considered the same.

MAMOE

[Permanent positions by grade]

	1983 actual	1984 estimate	1985 [1] estimate
ES–5	[1]7	7	7
ES–4	13	13	13
ES–2	3	3	3
ES–1	6	6	6
Subtotal	29	29	29
GS/GM–15	48	47	46
GS/GM–14	138	135	133
GS/GM–13	196	192	199
GS–12	39	38	41
GS–11	26	25	16
GS–10	2	2	12
GS–9	33	32	32
GS–8	45	44	45
GS–7	80	78	80
GS–6	77	75	77
GS–5	38	37	39
GS–4	17	17	18
GS–3	5	5	5
GS–2	1	1	1
Subtotal	745	728	744
Grades established under 38 U.S.C. 4107:			
Chief medical director	1	1	1
Deputy chief medical director	1	1	1
Associate deputy chief medical director	1	1	1
Assistant chief medical director	6	6	6
Medical director	30	30	30
Director	3	3	3
Executive	19	18	18
Chief physician and dentist and service director	15	14	14
Assistant director nurse	5	5	5
Chief nurse	4	4	4
Subtotal	85	83	83

MAMOE—Continued

[Permanent positions by grade]

	1983 actual	1984 estimate	1985 [1] estimate
Ungraded			
Total permanent positions	859	840	856
Unfilled positions, end of year	−55	−53	−53
Total permanent employment, end of year	804	787	803
AVERAGE GRADE/SALARY			
Average ES salary	$62,483	$64,670	$64,670
Average GS grade	10.64	10.64	10.59
Average GS salary	$32,215	$33,665	$33,872
Average salary, grades established by 38 U.S.C 73	$59,474	$62,151	$62,696

[1] Reflects grade/pay reductions in the GS/GM 11–15 grades and the equivalent Title 38 positions

VETERANS ADMINISTRATION, OFFICE OF CONSTRUCTION—DETAIL OF PERMANENT POSITIONS

	1983 actual	1984 estimate	1985 estimate
ES–6			
ES–5	1	1	1
ES–4	4	8	8
ES–3	4		
ES–2	1	1	1
ES–1			
Subtotal	10	10	10
GS/GM 15	20	20	20
GS/GM 14	77	75	75
GS/GM 13	278	287	292
GS–12	88	85	93
GS–11	39	37	38
GS–10	1	1	1
GS–9	26	26	26
GS–8	6	9	8
GS–7	45	36	39
GS–6	54	61	60
GS–5	42	45	44
GS–4	18	19	18
GS–3	3	1	1
GS–2			
GS–1			
Subtotal	697	702	715
Total, permanent positions	707	712	725
Unfilled positions, end of year	−16	0	0
Total, permanent employment, end of year	691	712	725
Average GS grade	11.05	11.03	11.07
Average GS salary	$31,622	$33,405	$33,739
Average ES salary	$62,639	$65,709	$65,709

GENERAL OPERATING EXPENSES

[Permanent positions by grade]

	1983 actual	1984 estimate	1985 estimate
Special positions	3	3	3

GENERAL OPERATING EXPENSES—Continued

[Permanent positions by grade]

	1983 actual	1984 estimate	1985 estimate
ES–6	7	7	7
ES–5	17	17	17
ES–4	24	24	24
ES–3	15	15	15
ES–2	17	17	17
ES–1	14	14	14
Subtotal	94	94	94
GS–18	1	1	1
GS–17	1	1	1
GS–16	2	2	2
GS/GM–15	258	254	249
GS/GM–14	512	504	494
GS/GM–13	1,143	1,122	1,096
GS–12	2,064	2,036	1,972
GS–11	1,828	1,803	1,742
GS–10	668	676	657
GS–9	2,834	2,758	2,633
GS–8	273	302	307
GS–7	1,160	1,165	1,141
GS–6	1,005	1,013	993
GS–5	2,769	2,712	2,609
GS–4	2,499	2,444	2,345
GS–3	1,221	1,209	1,164
GS–2	132	128	128
GS–1	3	3	3
Subtotal	18,373	18,133	17,537
Title 38	146	146	146
Ungraded	728	724	720
Total filled positions	19,344	19,100	18,500
Unfilled positions	759	500	500
Total permanent positions	20,103	19,600	19,000
Average grade	8.01	8.01	8.02
Average salary	$22,981	$23,584	$23,985

Question 4. What are you planning to do with the additional $4 million requested in the Medical Care account for employee travel in fiscal year 1985? It is noted that travel funds requested in the MAMOE account are also up $1.7 million. How do you distinguish between funds requested in the two accounts? Where is everybody going?

Answer. Travel funds for Medical Care are used to fund travel at the VA field facilities. Travel funds in the MAMOE appropriation are primarily used for two purposes. Travel is needed to fund administrative travel for CO and VAMC staff. Second, and primarily are resources for the Postgraduate and Inservice Training program. These resources are used in connection with education and training duty assignments both the CO and field staff. Since this program is centrally administered, travel funds are included in the MAMOE appropriation.

The 1985 budgeted increase of $4 million in employee travel for the Medical Care appropriation is required to support program initiatives and improvements, provide for uncontrollable inflationary increases, and restore funds from a 1982 government-wide reduction in employee travel.

Specifically, $1,751,000 is planned for the following program improvements: $1,625,000 is for the Agency's ADP decentralization effort and will be used to implement CORE systems in all VAMC's; $110,000 is to support the expansion of the Hospital Based Home Care program; and $16,000 for expansion of the Geriatric Research, Education and Clinical Center (GRECC). A total of $280,000 is required to support uncontrollable inflationary travel costs. In 1982, as a result of government-

wide reduction in employee travel, the Medical care employee travel was reduced $2 million. In order to achieve these savings, it was necessary to: defer scheduled program travel; substantially reduce VA medical center travel; and postpone employee travel in support of new initiatives. The restoration of this $2 million in 1985 will be used to support facility directed travel and program requirements of the Strategic Management Process and Readjustment Counseling.

The increase of $1.7 million in the MAMOE appropriation is to support the uncontrollable inflationary increase ($397,000), program requirements for the Postgraduate and Inservice Training program (PIT) ($1,230,000); and to offset travel restraints that have curtailed routine program travel and the additional travel requirements of the Strategic Management Process, Readjustment Counseling, and decentralization of ADP activities in the field ($115,000).

Question 5. Why are you projecting that Standard Level User Charges in MAMOE will nearly double? The increases in Medical Care and GOE accounts are less than 25 percent. Why is it over 100 percent for MAMOE?

Answer. The large increase in SLUC charges was due to the following: In 1982, SLUC charges for VA Central office were paid by GOE. For 1983, it was determined that MAMOE should budget and pay SLUC charges for their share of Central office. An appropriation transfer of $2,924,000 was made in 1984 from GOE to MAMOE for SLUC. After the 1984 submission, Congress limited 1984 SLUC charges to the 1982 level plus 14 percent. As a result, MAMOE's revised 1984 space billing was reduced to $1,479,000. The difference from the $2,924,000 appropriated transfer and the 1984 SLUC billing of $1,479,000 was applied to Personal Services in 1984 where the resources were needed to cover directed payroll absorptions and budgeted employment. On December 12, 1983 GSA informed the Agency that the 1985 SLUC charges would be equal to the amount originally budgeted for 1984 ($2,924,000).

Question 6. On page 5-23 of the Medical volume, a summary of costs of inflation is provided. What are "objects of expenses other than personal services"? If your answer includes other than medical items, why do you use the medical CPI and what is the projected medical CPI?

Answer. In formulating the 1985 budget, the Agency used the medical Consumer Price Index (CPI) provided by OMB to reflect the impact of inflation on non-payroll items. Objects included in "objects of expenses other than personal services" are: travel of persons; transportation of things; rents; printing; and the primarily medical non-payroll objects such as other services (contracts), supplies and materials and equipment. A projected medical CPI of 5.8 percent was used to determine the inflation estimate of $176,019,000. It should be noted that these resources are used to fund all non-payroll increases. Included in these non-payroll increases are uncontrollable rate increases for non-VA programs such as community nursing, contract hospital, CHAMPVA, and the State home programs. For instance, the State home rates increased more than 5.8 percent due to annualization of the per diem rates provided in Public Law 98-160, community nursing home rates are expected to increase by 11 percent and contract hospital by 10 percent. Recent actual experience indicates that per diem rates for these programs are higher than the medical CPI.

Question 7. On page 5-37 of Volume II, the estimate of outpatient visits during the current fiscal year (1984) shows a jump of nearly 400,000 visits over the original estimate. What caused this reestimate, and do you think that the 1985 estimate is high enough? If the same increase of 400,000 took place in FY 1985, how much additional money and FTEE would be required to meet that demand?

Answer. The 1984 budget estimated an outpatient workload level of 16,228,000 in 1983. Resources were included in the 1984 budget to support an additional 208,000 O/P visits to a level of 16,436,000. In 1983, however, a total of 16,627,000 O/P visits were handled by VA staff. The impact of overall outpatient demand plus VAMC efforts to provide the appropriate level of care utilizing the least expensive treatment mode resulted in a 1983 underestimate of outpatient workload. The 1984 current estimate of 16,835,000 visits reflects the budgeted 1984 increase in O/P visits over the actual 1983 level. If the same 400,000 O/P visit increase were to take place again in 1985 that occurred in 1983 and no shift in treatment modalities was evident, an additional $34,065,000 and 757 FTEE would be needed over the present request.

Question 8. On page 4-9 of the Medical Care volume, please explain the increase in ADP commercial services of $13 million in current estimate for 1984.

Answer. The increase in ADP commercial services is due to the requirements for ADP maintenance for purchased DHCP equipment of $4,866,000, $4,200,000 for the Integrated Hospital Systems (IHS), and $3,974,000 reprogrammed for field ADP initiatives for other than DHCP.

Question 9. How much money have you spent on the Integrated Hospital ADP System? How much do you estimate the 3 commercial Integrated Hospital Systems will cost for the next 3 years?

Answer. To date, no money has been spent for the Integrated Hospital System. Current estimated cost for the next 3 years for the three commercial IHS systems is $10,500,000.

Question 10. On page 4-14 of the Medical Care volume, at the bottom of the page, are listed the 1985 ADP major projects to which resources are applied to the Office of Data Management. What are the 30 medical care projects which cost $1.6 million and 51 FTEE?

Answer. Agent Orange (AGO), Annual Patient Census (CEN), Application Information Management System (AIMS), Automated Allotment Control System (AACS), Cardiac Pacemaker Registry (PACEMAKER), Civilian Health and Medical Program System (CHAMPVA), Community Nursing Home (CNH), Dental Activity System (DAS), Drug Dependence Clinical Support System (DDCSS), Engineering Management Information System (EMIS), Fee Basis Medical and Pharmacy (FEE), Health Service Training Programs DM&S (HLTHTRN), Hospital Based Home Care (HBHC), Manpower Tracking System (MTS), Medical Initiated Program Planning (MEDIPP), Nutritive Analysis (NUTR), Outpatient Clinic System (OPC), Patient Treatment File (PTF) (New), Physician Recruitment (PRSRS), Prisoner of War (POW), Prosthetics and Sensory Aids (PRS), Residential Care Home Program (RCH), Social Work Automated Reporting System (SWARS), Space and Functional Deficiency Identification/Non-Recurring, Maintenance (SFDI/NRM), Spinal Cord Injury (SCI), Staffing Management Programs (SMP), Station Profile Project DM&S, Summary Hospital Information Patient System (SHIPS), VA Voluntary Service System (VAVS), Vertical File DM&S (VF), Veterans Canteen Service (VCS), and Vietnam Veterans Readjustment Counseling Program (OUTREACH).

Question 11. The Veterans Administration and this committee have placed a lot of emphasis on the Medical District Initiated Program Planning (MEDIPP). The planning process is designed to provide the Administrator with a needs assessment for the provision of health care benefits and services to our Nation's veterans and is a whole vehicle on which the Administrator can make his budgetary decisions. You were able to review the needs assessment for fiscal year 1985 prior to making your budget decisions for that fiscal year; therefore, how has MEDIPP impacted on the fiscal year 1985 budget. I think we should identify the budget initiatives resulting from MEDIPP and an analysis of how those initiatives were incorporated or omitted from the Agency's fiscal year 1985 budget.

Answer. MEDIPP was used in developing this budget; however most increases for initiatives which were proposed did not survive the budget review process.

The attached chart provides an analysis of the MEDIPP initiatives throughout the budget process.

[Dollars in thousands]

Title and unit description	DM&S request—Administrator's budget			Agency request—OMB budget			President's request—Congressional budget		
	Unit	BA	FTEE	Unit	BA	FTEE	Unit	BA	FTEE
MEDIPP initiatives:									
Outpatient	1,500,000	$135,000	2,737	843,000	$75,900	1,539	21,500	$1,935	43
Hospital increases, census	702	53,931	1,474	241	18,498	506	.....	.....	.....
Enhance VA dom care, patients treated	1,200	7,982	224	400	2,661	75	.....	.....	.....
Alcohol dependence treatment program, programs	36	15,650	360	9	3,833	92	.....	.....	.....
Mental hygiene clinics—New, clinics	11	2,733	55	7	1,367	28	.....	.....	.....
Hospital based home care, programs	12	4,267	60	12	4,267	60	6	1,141	30
Expand dialysis program, patients	312	11,018	156	.....	.....	.....	.....	.....	.....
Day hospital program, programs	6	1,702	36	.....	.....	.....	.....	.....	.....

Title and unit description	DM&S request—Administrator's budget			Agency request—OMB budget			President's request—Congressional budget		
	Unit	BA	FTEE	Unit	BA	FTEE	Unit	BA	FTEE
Day treatment center, centers	10	2,910	60						
Comm. nursing home care, census	2,540	60,141		1,200	28,881		400	9,306	
Total MEDIPP initiatives		295,334	5,162		135,407	2,300		12,382	73

Question 12. The Committee would be interested in having for the record information that was submitted to the Government Operations Committee on how funds have been allocated for the psychological readjustment counseling program from 1980-84.

Answer. Attached are several listings of funds regarding the psychological readjustment counseling program which give a complete accounting of the program's funds from fiscal year 1980-1983 and 1984. In fiscal year 1984, $32,644,958 has been allocated for the program, with $11,200,000 earmarked for the fee contract portion of the program.

The Agency has never been required to set aside a specific amount of funds for contracting out purposes. The Agency has communicated through informal and formal contacts with the Appropriations Committees the amount of funds ($11,200,000) it has allocated for contracting purposes. The FY 1982 House Appropriations Committee's report restored funds for the Operation Outreach Program due to deferral action by the Administration and it stipulated the Agency was expected to administer the program as proposed in the January budget submission (copy attached). Similar language appeared in the committee's 1983 and 1984 reports which specified a total amount of $31,400,000 for this program. There is no specific line item appropriation for this program.

READJUSTMENT COUNSELING

	Appropriated	Allotted	Obligated [1]	Balance	Lapsed			Redistributed		Amounts processed to CMD N/R
					C.O.	Field	Total	Reappropriated	Departmental	
Fiscal year 1980:										
Staff	9,945,000	9,408,903	6,051,598	3,893,402	536,097	3,357,305	3,893,402	0	0	786,097
Fee	0	0	0	0	0	0	0	0	0	0
Total	9,945,000	9,408,903	6,051,598	3,893,402	536,097	3,357,305	3,893,402	0	0	786,097
Fiscal year 1981:										
Staff	18,380,000	12,315,212	10,916,562	7,463,438	6,064,788	1,398,650	7,463,438	0	0	44,133
Fee	11,200,000	1,500,000	0	11,200,000	0	0	0	0	[2] 11,200,000	11,200,000
Total	29,580,000	13,815,212	10,916,562	18,663,438	6,064,788	1,398,650	7,463,438	0	11,200,000	11,244,133
Fiscal year 1982:										
Staff	20,200,000	19,296,577	18,546,968	1,653,032	244,896	749,609	994,505	0	658,527	0
Fee	11,200,000	1,697,771	970,074	10,229,926	1,502,229	727,697	2,229,926	8,000,000	0	4,000,000
Total	31,400,000	20,994,348	19,517,042	11,882,958	1,747,125	1,477,306	3,224,431	[3] 8,000,000	[4] 658,527	4,000,000
Fiscal year 1983:										
Staff	[5] 20,860,515	20,711,135	20,050,453	810,062	149,380	660,682	810,062	0	0	0
Fee	11,200,000	6,695,891	6,094,762	5,105,238	304,109	601,129	905,238	4,200,000	0	0
Total	32,060,515	27,407,026	26,145,215	5,915,300	453,489	1,261,811	1,715,300	[6] 4,200,000	0	0

[1] Only cost data available in 1980–1981.
[2] Funds redistributed to existing hospital resources for treatment and care of veterans, i.e., agent orange examinations, drugs and medicines, utilities, et cetera.
[3] Appropriation transfer for health professional scholarship program. (Public Law 96–330).
[4] Funds redistributed to existing hospital resources and possible accounting errors during first full year of control points for this program.
[5] Supplement from medical care account of $660,515 to cover inflationary adjustments and payroll increases.
[6] Appropriation transfer to integrated hospital system. (Public Law 98–63).

READJUSTMENT COUNSELING—FEE CONTRACT PROGRAM

[Fiscal years 1980–84]

	1984	1983	1982	1981	1980
Appropriated	11,200,000	11,200,000	11,200,000	11,200,000	0
Allocated	11,200,000	11,200,000	11,200,000	11,200,000	0
Spent	1,920,605	6,094,762	970,074	0	0
Balance	[1] 9,279,395	[2] 5,105,238	[3] 10,229,926	[4] 11,200,000	[5] 0

[1] Reflects obligations through the first quarter of fiscal year 1984.
[2] $4,200,000 transferred to Integrated Hospital Systems (IHS) (See House of Representatives Report No. 98–308—Conference Report) the remainder of the funds ($905,238) was lapsed. (P.L. 98–63).
[3] $8,000,000 appropriation transfer for Health Professional Scholarship Program—Public Law 96–330 (See Public Law 97–257, Supplemental Appropriations Act 1982) with the remainder of the funds (2,229,926) being lapsed.
[4] $11,200,000 was reallocated to existing hospital resources for treatrment of veterans, (i.e. drugs and medicines).
[5] No funds were received for the fee program in this year.

Question 13. According to the so-called "Grace Commission" report, DOD's health care system operates 161 hospitals, 310 outpatient clinics, and is staffed by 151,000 personnel. The total direct health care budget for the DOD system in fiscal year 1983 was $4.5 billion. The Veterans Administration operates 172 hospitals, 226 outpatient clinics and is staffed by 188,713 personnel. The total direct health care budget for fiscal year 1983 was approximately $8.1 billion. Granted, there are some differences, but why did the health care costs at the VA almost double those of the military? In what areas are those increased costs? I would assume long-term health care would be one area since DOD has no long-term health care facilities. Is that correct? What are some other areas?

Answer. When comparing the VA's health care system with DOD's military health care system only the number of hospitals (VA=172, DOD=161) and outpatient clinics (VA=226, DOD=310) are similar. The number and type of patients, the type of patient care offered, the average length of patient stay and the number of average operating beds, all indicate wide difference between the two major health care systems and the level of resources required to support them.

An active military patient is generally under 30 years of age (80 percent of DOD workload is under 30) and will stay in the hospital for an average of 6 days. The patient will occupy one of the approximately 19,000 DOD operating beds and assist in generating a very small fraction of approximately 15,000 average DOD system-wide census. If the patient is in need of nursing or domiciliary care he or she will be discharged and sent to the VA (as DOD does not offer this type of care).

A veteran hospital patient is approximately 57 years old, more often disabled and will remain in the hospital for an average of 21 days. The veteran patient will occupy one of approximately 80,000 operating beds and assist in generating a very small fraction of approximately 65,000 average VA hospital census. If eligible, the patient can receive a wide spectrum of care including nursing and domiciliary care.

The great differences in the DOD and VA health care systems are shown in patient statistics: Patients discharged from Army hospitals in fiscal year 1982 were 22.3 percent for pediatrics; 18 percent obstetics and gynecology. Pediatrics accounted for 5.2 percent of discharges in the Air Force system and obstretics—gynecology 23.7 percent. On the other hand DM&S 21.5 percent patients discharged had a principal diagnosis of mental disorder; 18.5 percent of neoplasms; 27 percent were patients 65 and over. In the Army system, however, 9 percent are 59 years old or older. The cost care for casemix in DOD facilities is considerably less than the more complex mix of DM&S.

VA staffs are completely civilian, and pay scales are set by federal policy, wage scale and standard rates. DOD staffs with predominantly active duty personnel, in many cases pay below blue collar wage rates or special pay incentives for federal civilian personnel.

QUESTIONS OF HON. DOUGLAS APPLEGATE

Question 1. I note that your 1985 budget forecasts a reduction of 800 FTE in DVB. How do you propose to accomplish this reduction? By Attrition? By RIF?

Answer. We plan to achieve these reductions through attrition.

Question 2. In allocating the personnel for 1985 in DVB, do you propose to allocate ceilings specifically by program, or do you expect each station director to exercise discretion within an overall station allocation?

Answer. Station directors have been provided with initial employment ceilings for 1985 both in total and by program. The station directors are free to change the distribution as they see fit to accomplish their mission.

Question 3. Should DVB take a loss of 800 FTEE in fiscal year 1985, what effect would such reduction have on work productivity? What effect would this reduction have on the quality of the work product? Does central office plan to revise its timeliness standard that regional offices must now meet? If not, how can regional offices be expected to meet current timeliness standards.

Answer. We expect little, if any, effect on work productivity or the quality of work performed. There are no plans to revise our timeliness standards. We expect to meet this reduction primarily through the elimination of supervisory positions and functional realignment. The redirection of some supervisory time from indirect labor to direct labor will enable us to continue to meet our timeliness standards.

Question 4. In deciding how much of a cut each regional office should take, do you use work measurement data, or do you allocate a percentage reduction across the board?

Answer. In the allocation of FTEE and dollars, the station's estimate of requirements is based upon their workload estimates. The sum of all stations request is compared to what is available, each station takes a reduction in proportion to the total shortage.

QUESTIONS OF HON. MARVIN LEATH

Question 1. Your current 1984 estimate for cash collections as a result of General Counsel efforts is 15.1 million (see page 16-72, volume IV). How much are you spending in salaries and overhead to collect this amount?

Answer. During fiscal year 1983, salaries and overhead for district counsel support in the debt collection effort amounted to $4,337,000.

Question 2. It is my understanding that most of the indebtedness owed the VA is represented by educational overpayments and defaulted educational loans. I note the budget treats repayments of debts differently than before, so it is now very difficult to identify debt repayments and to gauge the success of Agency debt collection efforts. Will you provide, for the record, a brief summary of your current efforts, as well as a chart showing the levels of collections, establishments and waivers and write-offs over the last five years?

Answer. For education overpayments, activity for FY 1983 is shown below (in thousands):

Beginning balance	615,337
Establishments	178,000
Collections/offsets	204,947
Waivers/terminations	5,617
Ending balance	582,853

The overall balance of education accounts receivable decreased by 5.3 percent during fiscal year 1983.

For education loan defaults, activity for fiscal year 1983 is shown below (in thousands):

Beginning balance	35,137
Establishments	9,364
Transfers in transit	(9)
Collections/offsets	3,000
Waivers/write-offs	190
Prior year adjustments	11
Ending balance	41,300

The overall balance of defaulted education loans increased by 17.5 percent during fiscal year 1983.

Charts showing the levels of collections, establishments, and waivers and write-offs over the last 5 years are attached.

EDUCATION OVERPAYMENTS

[In thousands of dollars]

	Fiscal year—				
	1979	1980	1981	1982	1983
Balance start of year	403,431	418,618	420,683	434,932	615,337
Establishments	350,334	286,940	261,644	207,373	178,080
Collections/offsets	328,048	276,045	242,291	217,922	204,947
Waivers and write-offs	7,099	8,830	5,104	(190,954)	5,617
Balance end of year	418,618	420,683	434,932	[1] 615,337	582,583

[1] Includes $191.8 million in previously terminated accounts which were reactivated in May and June 1982.

EDUCATION LOAN DEFAULTS

[In thousands of dollars]

	Fiscal year—				
	1979	1980	1981	1982	1983
Balance start of year	3,601	12,877	22,387	30,146	35,135
Establishments	11,734	14,067	9,790	7,378	9,375
Transfers in transit	(8)	(18)	(1)	(14)	(9)
Collections/offsets	479	1,260	2,041	2,661	3,000
Waivers and write-offs	1,971	3,279	(11)	(289)	190
Prior year adjustment	0	0	0	3	11
Balance end of year	12,877	22,387	30,146	35,135	41,300

Question 3. What are you going to do to increase collections on defaulted education loans from less than $3 million in 1983 to over $7 million in 1985?

Answer. Procedures are being developed to begin using the services of credit bureaus for the first time. When this collection tool becomes available a major change in debtor attitudes is anticipated, resulting in the budgeted increase in collections.

Question 3a. How is it that you now estimate 11,000 more loans outstanding in 1984 than was contained in the 1984 budget? This number appears to be off by 8,000 in 1983, when compared with the 1983 budget estimate.

Answer. Through the end of 1982, $5.1 million in defaulted loans had been written off as uncollectable. As a result of a policy change, all but $330,000 of these loans which are under the control of GAO, were reactivated for renewed collection action. Most of the increases noted are attributable to this change. In addition, in 1984, revisions were made to the reporting system to provide the number of loans outstanding. Prior to this, the number of loans were estimated from the dollar amounts outstanding.

Question 4. Actual disenrollments in 1983 in the chapter 32 fund (post Vietnam education) were 1⅓ times your original estimate. It also appears that your 1984 estimate was too low by some 6,200. How do you explain this discrepancy?

Answer. It is simply very difficult to anticipate the propensity of chapter 32 participants to withdraw from the program and forego the training benefits provided. Based on the data available at the time the 1983 budget estimates were being prepared, the $37.5 million in estimated disenrollments was reasonable.

QUESTIONS OF HON. RICHARD SHELBY

Question 1. I note that the budget document indicates you are planning to propose legislation to extend the users' fee scheduled to terminate at the end of fiscal year 1985. Don't you think it would be a good idea to have the users' fee deposited in the loan guaranty revolving fund rather than directly to the Treasury?

Answer. It is general Government policy to return users' fees directly to the Treasury. Even if the users' fee were deposited in the loan guaranty revolving fund, we would still need an appropriation of about $425 million in 1985 if no additional changes were made to the program.

Question 2. As you know, CBO has done an analysis on the loan guaranty revolving fund and has indicated their disagreement with what is being recommended. Ac-

cording to their study, the potential savings for implementing this type of recommendation the first year are tremendous and would result in a savings the second year. However, the study goes on to show that these are short term savings and that such a policy change would start costing the Federal Government a lot of money by the third year. Do you agree with this? If not, I would appreciate a copy of your projected costs associated with this policy change since a five-year projection is not contained in your budget.

Answer. The policy changes submitted as part of the President's budget may result in some additional costs in the out years once VA disposes of its property inventory. The CBO study, however, does not include some costs associated with discounts on vendee loan sales and obligations for repurchasing defaulted loans sold with repurchase agreements.

Question 3. It is my understanding that you currently acquire many foreclosed properties in an effort to cut your losses. If you have to pay the guaranty up front, this will result in payment of higher claims to lending institutions. Won't this have an adverse impact upon our veterans who will be liable for the costs of this increased claim?

Answer. If there are any increased claims the indebtedness of the veteran to VA would increase. However, the claim payment is the difference between foreclosure auction price and the total indebtedness regardless of who buys the House. If as in the past VA's acquisition price represented the market value of the property and third party bidders purchase the property for that amount of foreclosure, there would be no change in VA guaranteed payments.

Question 4. Should such a foreclosure policy be implemented, what effect would it have on the program?

Answer. For several weeks the Committee attempted to get a response to this question from the Agency. At the time this hearing transcript was submitted to the Government Printing Office to be printed, the Veterans Administration was unable to obtain clearance from the Office of Management and Budget on what response was to be made to the committee.

Question 5. I have received numerous letters from the lending industry stating their opposition to this proposal. If they perceive such a change in policy as risky, aren't they likely to have stricter guidelines for qualifying purposes and won't this mean that many potential first-time veteran homeowners will not be eligible for financing?

Answer: Under the proposed policy changes veterans will still be eligible for VA-guaranteed home loans; however, some lenders have indicated they would reduce risk by tightening their loan underwriting standards. Those veterans with marginal income of limited job experience may not qualify for GI Home loans. Lenders may also attempt to reduce their perceived risk by requiring a downpayment or increasing discount points. The veteran borrower, however, pays a maximum of 1 point. Again we do not believe that decreased lender participation in this program is justified by the proposed change.

STATEMENT OF DONALD H. SCHWAB, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. Chairman and members of the committee, thank you for the privilege of appearing before this distinguished Committee to present the views of the Veterans of Foreign Wars of the United States.

My name is Donald H. Schwab and it is my privilege to serve the more than 1.96 million men and women of the Veterans of Foreign Wars as their National Legislative Director.

The budget proposed by the President of the United States for the Veterans Administration is $2.7 billion in budget authority and $27.2 billion in outlays. Respectively these figures represent an increase of $992.9 million which is 2.7 percent of the Federal budget of one trillion six billion dollars ($1,006,000,000,000) in budget authority and an increase of $992.8 million or 2.9 percent of the Federal budget of $925.5 billion in outlays.

Permit me to state at the outset, Mr. Chairman, that in our opinion this proposed budget reconfirms the President's commitment to our Nation's veterans, their dependents and survivors. Although it is a good budget, certain areas cause us to be concerned.

The medical care portion of the budget at $8.7 billion represents an increase of $563 million over the current year and will permit the employment of 2,747 additional personnel primarily to staff new activations with no significant change in the

staff-to-patient ratio. The increase is not sufficient to offset the increase in the cost medical care and is, therefore, a decremental medical care budget. Advances in medicine and patient care coupled with the better utilization of resources through the Medical District Initiated Planning Program (MEDIPP) cannot indefinitely compensate for decremental medical care funding.

The medical and prosthetic research portion of the budget is increased $20 million from $164 million to $184 million. Needless to say, we are encouraged by the addition of 155 personnel in this highly important function.

Of serious concern, Mr. Chairman, is the addition of only 15 employees (FTEEs) in the Medical Administration Service (most of whom will be assigned to central office) falls far short of the actual need. With the increased emphasis on resource allocation as a keystone of strategic management, the fiscal role of the Medical Administration Service hospital staff has increased. Not addressing the need for increased staffing and the upgrading of these positions will seriously jeopardize the Department of Medicine and Surgery's unique ability to continue "doing more with less."

The construction budget of $822 million is an increase of $291 million over the current year. Funding is included for replacement and modernization of the medical centers at Allentown Park, Michigan; Augusta, Georgia; Houston, Texas; Mountain Home, Tennessee; and New York, New York. However, Mr. Chairman, we are extremely disappointed that no funding is included for the proposed replacement of the medical center in the Baltimore-metroplitan area listed in the current Five-Year Medical Facility Construction Plan as one of the medical centers most in need of construction, replacement, or major modernization. You will recall that on May 11, 1976, President Ford announced that a 400-bed hospital would be built in Baltimore. Funds for planning and design were appropriated in the fiscal year 1977 and construction funds in the fiscal year 1980. Construction was to have commenced between June and October 1980 with 1983 as the target date for completion. The Veterans Administration has already spent $8 million on this project, $3.5 million for working drawings and $4.5 million for purchase of the construction site. Then, the project was canceled due to budgetary constraints, according to the Veterans Administration. Also, there is an absence of funding for a clinical addition and clinical improvements at the Philadelphia, Pennsylvania, facility scheduled for 1985 in the Five-Year Plan.

The VFW is pleased, Mr. Chairman, that $50.8 million is included for the design and construction of seven nursing home care units. Facilities are planned for Alexandria, Louisiana; Durham, North Carolina; Murfreesboro, Tennessee; Prescott, Arizona; Providence, Rhode Island; San Juan, Puerto Rico; and West Los Angeles, California. The Durham, North Carolina, nursing home will include a Geriatric Research and Clinical Care Center (GRECC); and a garage will be added to the San Francisco, California, nursing home care facility. Concern for the growing needs of an aging veteran population is also reflected in the increase from $18 million to $35 million in the grant program for the construction of state extended care facilities.

Mr. Chairman, the Department of Veterans Benefits is scheduled to sustain a reduction of an additional 800 personnel in the fiscal year 1985 which will bring the total loss of employees since 1976 to 6,654. Activity in the educational programs has been declining as have the caseloads in compensation, DIC, and pension which the VA has used to justify the cumulative reduction. However, in view of the excessive claim processing time and the backlog of claims, we believe the proposed reduction of an additional 800 personnel to be unreasonable. Although we concur that management improvements will enhance productivity and efficiency, the volume of claims warrants maintenance of a sizeable staff to provide timely service to claimants.

The absence of funding for the "Emergency Veterans' Job Training Act of 1983," Public Law 98-77, is, indeed, a real disappointment. We note that the Veterans Administration stated because of an expected improvement in the economy resulting in lower unemployment among Vietnam-era or Korean conflict veterans, the initial funds provided for this program will be sufficient to meet the objectives established for this program. According to the Veterans Administration, as a result of this, they believe that no additional appropriation for this program is necessary. Since the program is relatively new (funding was not established until November 30, 1983) and since, to date, public outreach to employers in the form of publicity has been meager by the department of Labor and seemingly nonexistent by the Veterans Administration itself, we believe that it is nearly impossible to estimate how many potential veterans or employers know of this program's existence. It is a matter of record, Mr. Chairman, that the Administration initially opposed the enactment of this legislation. In testimony, the VA stated that: "The Administration opposes the enactment of any jobs bill specifically for veterans" and the Department of Labor at

the same hearing stated: ". . . we agree with the intent of the bill, but we point out that Congress has already given us authority to administer such a program. Therefore, we do not favor passage of this legislation since we feel it is not necessary." Mr. Chairman, when the President signed the enacting legislation into law at our VFW National Convention in New Orleans, Louisiana, on the 15th of August, 1983, he stated:

"This legislation is above and beyond the bipartisan jobs bill I signed earlier this year and other administration programs to promote job opportunities for veterans. This is not just a training program. The employer who participates must employ the veteran on a permanent basis after the training is completed. The nation has a special commitment to those who have served in the military. That commitment includes not only our continuing respect, but practical assistance as well. Our veterans did their best for us; now we must do our best for them. As I said earlier, the nation has a special commitment to those who have served in the military . . . this program will aid veterans at the same time it aids the many small businesses that will participate."

The absence of funding seems to fly in the face of the President's remarks. Although unemployment had declined recently, many Korean, Vietnam, and disabled veterans who have exhausted their unemployment benefits or who have become discouraged and ceased to look for work are not captured by statistics. Therefore, we believe it would behoove the Administration to reconsider funding for this program.

Mr. Chairman, the VFW is highly disturbed by the Administration's proposal to terminate property acquisitions by the Veterans Administration following foreclosures on home loans guaranteed by the VA. Under the proposal, the VA would pay the lender $27,500 or 60 percent of the outstanding balance leaving the lender with title to the house. This change is the result of the President's Private Sector Survey on Cost Control referred to as the "Grace Commission." According to the Mortgage Bankers Association (MBA), if the proposal is implemented, the VA would lose a source of assets from which funds are derived to operate the revolving fund and Federal mortgage underwriters may find VA mortgages less attractive to include in their portfolios. The MBA further suggested that the adopting of the Commission's recommendations may cause veterans to suffer by bringing about higher down-payment requirements; causing higher income standards to be applied to loans; causing lenders to assess a higher number of loan origination points; and making such loans, generally, to be more difficult to obtain—particularly more difficult for Vietnam veterans. The VFW opposes the implementation of this proposal in the strongest terms.

Mr. Chairman, the President's budget includes $206.3 million for a 4.3 percent cost-of-living increase in compensation and Dependency and Indemnity Compensation (DIC) effective April 1, 1985, which appears realistic at this time. However, pending compensation legislation for the current fiscal year expresses the sense of Congress that future cost-of-living adjustments in compensation and DIC should take effect on December 1, commencing in the calendar year 1984. We find no fault with the proposed change in the effective date provided the additional $51.5 million which will be needed is provided through a supplemental appropriation.

Mr. Chairman, we are delighted that the proposed budget includes a 15 percent increase in allowances for Vietnam-era veterans availing themselves of educational benefits under the GI Bill and, also, disabled veterans participating in the vocational rehabilitation program effective January 1, 1985. The last such increase was granted by Public Law 96-466 and was a two-step increase with five percent October 1, 1980, and five percent effective January 1, 1981.

Due to the stringent time constraints under which this testimony was prepared, our comments are based upon a rather cursory review and a more in-depth analysis will be made.

In conclusion, Mr. Chairman, the VFW fully realizes with unprecedented deficits in the Federal budget no budget can be all we would like and compromises must regretfully be made.

Thank you.

STATEMENT OF PAUL S. EGAN, DEPUTY DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, THE AMERICAN LEGION AND ROBERT E. LYNGH, DIRECTOR, NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION, THE AMERICAN LEGION

Mr. Chairman and members of the committee; the American Legion appreciates the opportunity to present its views, following an initial appraisal of the President's proposed Budget for the Veterans Administration for Fiscal Year 1985.

Inasmuch as we only received an initial briefing on the Budget on February 1, we wish to stipulate that our analysis has been hurried. We may have additional or adjusted observations and perceptions of the proposed funding for veterans benefit programs when we have had more time to study the documents involved.

For Fiscal Year 1985, the President has proposed for the Veterans Administration, Budget Authority of $27,246 billion, up $1,163 billion from fiscal year 1984, and Budget Outlays of $26,694 billion, up $998 million from fiscal year 1984.

In a total Federal budget that begins to come close to one trillion dollars, the Budget proposed for the Veterans Administration represents 2.7 percent of the total of proposed Federal expenditures for the next fiscal year. All of this is a sobering thought on all counts.

In these tremendous fund outlays, The American Legion is indeed appreciative of the amounts identified for veterans programs. During the last several fiscal years, both the President and Congress have shown themselves to be concerned about the necessary funding for those programs designed to care for the men and women who have defended the national interest in the nation's Armed Forces. Events of these days demonstrate again that the Armed Forces must be ever ready to respond to the call to hazardous service. America's citizens have ever proven themselves ready to meet such challenges. The corresponding obligation of the Government that requires such service from its citizens is that it must continue to be concerned for them when their service is completed. The Americln Legion believes the proposed Budget for the Veterans Administration for Fiscal Year 1985, does show that concern.

We believe it is appropriate to point out also, that in the various adjustments that have been made during the past three years, in the many Federal programs, the nation's veterans have seen changes in their benefit programs that have saved several hundreds of millions of dollars in outlays. Most of these changes, when proposed, were accepted by The American Legion, because we represent the nation's veteran population, and veterans are responsible citizens. When all entitlement programs were being modified, we believed that veterans must do their share—and we have. We now go on to say that we believe all the adjustments in our programs that can be achieved without serious injury to the welfare of their beneficaries, have been accomplished. We will not be supportive of any proposals that in our judgment will result in real harm to those who are deservedly the beneficiaries of programs that recognize honorable service to the nation.

Before offering comment on certain of the budget items, which we will do in reference to the departments of the VA that administer them, we shall first address the legislative initiatives set forth in the Budget Message.

LEGISLATIVE INITIATIVES

The significant legislative initiatives in the Budget Message relate to cost-of-living adjustments in compensation and in Readjustment Benefits.

The Administration indicates it will recommend a COLA of 3.5 percent in compensation for fiscal year 1984, to be effective April 1, 1984, and of 4.3 percent for fiscal year 1985, to be effective April 1, 1985.

The American Legion has already agreed to the COLA for fiscal year 1984 to be effective on April 1, of this year. We believe the Veterans Affairs Committees are now considering when a COLA for fiscal year 1985 should be made effective. We will be supportive of an adjustment of a fiscal year 1985 COLA date accelerated to January 1, 1985. As always, we are motivated by our concern for the beneficiaries of the compensation benefit—the service disabled, who are the most deserving of all Federal beneficiaries.

In Readjustment Benefits, the Administration is proposing a COLA of 15 percent in subsistance allowances for the various categories of beneficiaries in these programs. The last adjustment in these allowances was made effective on January 1, 1981, by Public Law 96-466. In the two succeeding years The American Legion recommended further adjustments in these subsistence allowances, making reference in each instance to the effects of inflation on the efforts of Vietnam Era veterans to complete their education and training programs with the help of the subsistence allowances. What we are saying now is that the currently proposed adjustment is badly needed, and in fact overdue, considering the circumstances in which many of these veterans are having to subsist as they try to complete their readjustment.

DEPARTMENT OF VETERANS BENEFITS

The direct benefit programs administered by VA through the Department of Veterans Benefits will consume 58.7 percent of the total VA Budget. These are, for the

most part, the entitlement programs that must be funded, and they are meeting real needs of the veteran population they are intended to serve. The pension program is indexed, and its beneficiaries will receive the same COLA, and at the same time as do Social Security beneficiaries.

What we have identified in the Budget proposal that does give rise to concern is proposed personnel adjustment downward in the amount of 800 FTEs, which will bring DVB, FTE strength to 13,500. This loss is superimposed on previous year losses of 398 in fiscal year 1983 and 136 in fiscal year 1984, for a total FTE loss through fiscal year 1985 of 1334. We must advise the Committee that we cannot but be concerned at the effect of these losses on delivery of services to VA beneficiaries. Consistent and persistent reduction of personnel will inevitably impact on the ability of Regional Office staffs to complete action on cases and disburse benefits. Our concern is projected from the standpoint that VA beneficiaries are either the service disabled, their survivors, or the aged and infirm seeking pensions—all are persons who very much need the benefits they are seeking, many on an urgent basis.

In justifying these reductions, VA management speaks of reduced personnel in Loan Guaranty sections; we all know the loan guaranty program is once more busy with the end of the worst effects of the recession. Management speaks of reduction of those in education and training programs; we respond that while it is true the number of enrollees is reduced, the complexity of cases, for a variety of reasons, has increased, thus requiring more man hours per case. Delays in this category delay subsistence allowances which can force students out of school. And reference is made to effecting reductions in supervisory personnel and increased productivity. Believe us when we say the Legion is all for economy of personnel in management and for maximum productivity by all Federal employees. However, a certain minimum of personnel is needed to properly process cases, without delay-causing errors that have to be corrected; and productivity can only be used as a relative guide when considering the volume of paper work that must be done in the processing of a single case for award of benefits.

We believe the Committee should press for precise data and information from the agency before effecting further loss of field personnel in DVB, and we strongly recommend active oversight during the year to insure prompt delivery of benefits.

In regard to this general subject, which is a matter of serious concern to the Legion, we believe we were advised the Administrator will in fact undertake a scientific study of work production levels in DVB field offices, perhaps in response to the same concerns we have here expressed. We commend the Administrator for this effort, and we urge the Committee to avail itself of the results of the study.

The only particular benefit we wish to mention in discussing programs administered by DVB is the burial benefit. This is the benefit, formerly paid in the amount of $300, to the survivors of all honorably discharged war veterans, at the time of the veteran's death. When established as a benefit, its purpose was to insure a decent burial for all veterans. The benefit was discontinued by the Omnibus Budget and Reconciliation Act of 1981. While, as we have stated earlier, The American Legion has accepted some adjustments in veterans benefit in our concern for the fiscal health of the Government, we did not acede to the loss of the burial benefit. We said then, and we say now that benefit should not have been discontinued. It was unfair to do so, and it should be restored by Congress.

The reason for our position on the burial benefit is simple. We believe in equal benefits for equal service. We aks the Committee to consider the fact that more than half the veteran population in fact never asks for or receives any direct benefit as a result of honorable service rendered. The only possible exception to that statement is the home loan guaranty, which is not a cash benefit. The only direct benefit payable on behalf of all veterans has been the burial benefit. And now that one benefit has been taken away. We acknowledge that Congress left intact the benefit for the service disabled and for the indigent. But in taking away the burial benefit for all other honorably discharged war veterans, Congress has, in fact, demeaned the value of their service. The American Legion holds the benefit should be restored.

DEPARTMENT OF MEDICINE AND SURGERY

Including all of those programs and activities that fall under the general heading of medical care in the Budget Message, and are administered by the Department of Medicine and Surgery, there is requested for fiscal year 1985, more than $9 billion, representing 35.2 percent of the total VA Budget. This is a projected increase of more than $560 million. We believe it represents a visible acknowledge of and commitment to the provision of a program of high quality medical care for the nation's veterans. Having said that, we hasten to add that the VA medical care program, as

huge and complex as it is, continues to have many problems that must be addressed now and in the years immediately ahead as the nation confronts a veteran population of 28 million, and a WW II veteran population of more than 10 million, now at an average age in excesss of 62 years.

The Budget Message projects an FTE increase for DM&S of 2,924 to 193,321. This is the third successive year of FTE increase for DM&S. The American Legion applauds, and is grateful for these increases, and for those who question the ever increasing number of medical personnel, we have the answer.

The fact is that VA operates the largest comprehensive health care program in the nation. It is also a given fact that medical care is labor intensive. Based on our monitoring of the Department of Medicine and Surgery, which we do through our field service, which site visits more than 65 VA Medical Centers each year, we can attest that the practice of modern medicine on this scale requires every one of the personnel assigned, and still we find spot situations where there are serious shortages of needed skilled medical personnel to care for sometimes critically ill veterans. It is also a fact that the staff to patient ratio in tertiary care VA medical centers is lower than that to be found in private sector hospitals, and much lower than will be found in university hospitals.

VA is projecting a level figure for treatment of inpatients, and an increase of 79,000 outpatients visits to a total for fiscal year 1985, of 18,692,000. We believe this is a realistic projection of what is actually happening in the system. While more veterans are presenting themselves for treatment, inpatient episodes of actute care are shorter, and more veterans are being treated and stabilized in outpatient clinics, thus obviating the need for admission. It is clearly understood this is the way to practice medicine. It is better for the patient, and more cost effective for the Government. The American Legion encourages and supports this trend. The cautionary note we add is that in our judgment there should be no further reduction of acute care beds within the system. The controlling factors in this regard are that the aging veteran population will experience more health problems—older people always do—and older persons ordinarily pass from an acute episode to the need for long-term care. Thus, what we are saying is that while the need for more long-term beds in the system is clearly demonstrable, that need does not by itself lead to the conclusion that the need for acute care beds is decreasing.

Medical and prosthetic research

The Medical and Prosthetic Research Program in the Department of Medicine and Surgery is a matter of special concern to The American Legion. This is because we are keenly aware of the importance of this element of the triad of the VA health care program: clinical care, education of health manpower and research. None of the three elements can thrive without the presence of the other two.

The value and significance of the VA research program is daily shown through released information about knowledge gained and advances made in medical science and technology, to the benefit, not only of veterans, but of all people. We all know about the two Nobel Laureates from the VA system, who won their prizes in 1977. The ongoing importance of the work being done is further shown by a recent VA news release describing a new diagnostic technique developmed at the VAMC Ann Arbor, Michigan, that may eliminate the need for open heart surgery for as many as a quarter of those who are now processed for this type of surgery every year. Here again, it must be said that a development like this benefits not just veterans, but all peoples everywhere.

A program of this value most certainly needs to be encouraged and strengthened. The Budget Message would increase research funds by $20 million and increase research personnel by 155, to 4,595 FTEs. Because the research budget was so severely underfunded for several years, we applaud this increase, both in funds and in needed personnel. We hope this trend upward will continue in future budget years. The Federal Government could not spend any of its funds any more wisely than on a vigorous and viable VA research program, that benefits the entire American people.

Geriatric Research Education and Clinical Centers (GRECCS)

We are concerned about the fact we do not identify any funds in the VA Budget for further expansion of the GRECC progam. Public Law 96-330, Veterans' Administration Health Care Amendments of 1980, approved August 26, 1980, authorized the establishment of seven GRECCS in addition to the eight then functioning. In fiscal year 1984, VA asked for and received funding to establish two additional GRECCS. At that time it was explained to us that VA would request funding for two additional GRECCS each year until the seven authorized were operating, for a total of 15, as authorized by Public Law 96-330. Apparently that is not going to happen, if we read

the Budget Message correctly. We believe that any further delay in establishing the authorized GRECCS will be unfortunate. These centers of excellence are doing extremely valuable work in all three fields of clinical care, education of health professionals in aspects of geriatric medicine, and in basic research on such conditions as various forms of cancer and Alszheimer's Disease. We can tell you that with the nation's aging population, and increased longevity, there is a desperate need for more knowledge about Alszheimer's Disease. With encouragement and needed funding there is a possibility for VA research to lead the field in this particular disease, before it becomes a health problem of epidemic proportions.

We would hope the Committee would adjust the VA Budget to include funds for, and instructions to VA to proceed to establish another one or two GRECCS during FY 1985.

Grants for construction of State extended care facilities

The Budget Message requests $35 million for Grants for Construction of State Extended Care Facilities. The American Legion wishes to be clearly identified as totally supportive of this appropriation. This is an increase over fiscal year 1984 in the amount of $17 million. We are informed there is now a backlog of requests for such grants in excess of $80 million. This indicates the various States are moving very positively to make provision for their aging veteran populations, a fact that is most commendable. It deserves the full support and encouragement of the Federal Government. As we move into the period of an aging veteran population that will be with the nation for the foreseeable future—5.5 million Korean veterans are now at an average age of 55, and 9.5 million Vietnam Era veterans are already past the average age of 32—the States can and will be of major assistance to the Federal Government in caring for this population through Soldiers' Homes, and extended care facilities. This will materially ease the pressure on the resources of VA, and is a most cost-effective way for the Federal Government to meet its obligation to its veterans.

Grants to the Republic of the Philippines

The Budget Message identifies $500 thousand as a grant to the Veterans Memorial Hospital in Manila. This grant has been made by the United States consistently since the end of WW II. The Veterans Memorial Hospital cares for many Filipino veterans who served in the Allied cause during WW II. There is certainly an obligation by our country to continue to show our gratitude and concern for them. The American Legion has always supported this grant, and continues to do so.

MEDICAL CONSTRUCTION

In the medical construction program, the American Legion wishes to first commend the Administration, and then express a serious concern about at least two instances.

The medical construction program is recommended for the amount of $759.7 million, an increase of $288.4 million over the amount requested for fiscal year 1984, which we believe was the highest request on record for this program to that point.

The American Legion has always been supportive of the medical construction program. Through the work of our Field Service, we are aware that the capital plant of the VA health care system is deteriorating. The reasons for this are manifold; one of them being serious underfunding of this program for several years until recently. This means VA is playing catch-up with its capital plant renovation and replacement program. The facilities have aged more while nothing was being done, and costs have escalated. It has been a losing proposition all around. Now, at last, the Government is trying to make up for lost time, and it is costing a lot of money—but it is still a good investment. We have said before, and we say again, the capital plant of the VA system is a multi-billion dollar investment by the Federal Government in the field of health care, and it must not be allowed to deteriorate. There is nothing like it any place else in the world. It is nothing short of an invaluable asset.

The American Legion supports the Budget request for this program in complete detail. Much is being done and real progress is being made, and this is commendable.

We do have two particular matters of concern we wish to mention. First is the excision from VA planning of the replacement hospital for Baltimore. This replacement hospital is clearly needed. All one has to do is examine the facilities now available in the State of Maryland and the need is clear to see. The replacement hospital was recognized as needed. Preliminary planning was funded and completed. In fact construction had begun, when the President included the funding for this construction in a rescission message in 1981.

If the replacement hospital is not built, there are going to have to be major expenditures for renovation of existing facilities in the Baltimore area. Renovating existing outdated facilities, in this instance, is not a wise expenditure of Federal funds. The wise course would be to complete the replacement hospital. The American Legion hopes the Committee will give this serious consideration.

The other specific construction item we wish to bring to the Committee's special attention is the plan for the Philadelphia VAMC. The story of this item is a long and complicated one which we will not recite here in detail, though we can provide detail if asked to do so, since the Legion has been involved in this entire matter for the past eight years. These eight years were consumed in planning, discussing and arguing, with everything being delayed, and nothing being done. And now there are no funds in the fiscal years 1985 Budget Message for the Philadelphia VAMC.

What is needed there is a multiple project of a clinical addition, a nursing home care unit and a parking facility. All of these needs are urgent because they have been long delayed—and the fault for the delay attaches to everyone who has been involved, in both the Executive and Legislative Branches.

Philadelphia is a tertiary care facility in one of the most intensely populated urban areas in the nation. In its present condition, it is a glaring example of how not to provide high quality sophisticated health care in a population center. The conditions under which the staff has to work and patients have to be treated are deplorable. We are sure the Government would never point to Philadelphia as an example of how it is meeting its obligation to the nation's veterans.

In an extremely crowded land area, the City of Philadelphia has donated land to the Federal Government for the project. If the project is not funded and begun, the City will reclaim the land at the end of 1986. If that is allowed to happen we have no idea how the needed modifications and additions will ever be accomplished.

In today's dollars, we understand the entire project will cost some $183 million. That is a lot of money, but it would not have cost so much if it had been done several years ago, as it should have been. Our recommendation to the Committee is that funding be included in the fiscal year 1985 Budget for completion of the entire project. The thing to do is to put up the money and get the project completed now, before it becomes even more costly, or worse yet, becomes impossible of accomplishment. We are sure the Congressional representatives from the Philadelphia area can support the information and recommendation we have presented here.

Beyond these two special areas of concern, we wish to say that the schedule of projects outlined in the Budget Message are most commendable in all detail, with perhaps special mention of the clear need for the replacement hospital at Houston.

In a sense, the expenditures in this budget area are capital investments, and should not even be included in the total Federal funding that is leading to such high deficits. There is a school of thought in the Congress itself that the capital investments and expenditures of the Federal Government should be identified separately as they are in most business operations.

DEPARTMENT OF MEMORIAL AFFAIRS

The funding request for the Department of Memorial Affairs shows a modest increase of $3 million to $44 million for fiscal year 1985. There are also identified $17.2 million for cemetery construction projects. This total memorial affairs program, we believe, is progressing in a satisfactory way, as the VA proceeds to prepare to accommodate as many as possible of those veterans who will desire burial in a national cemetery. Our perception is that the program has improved immeasurably since it was entrusted to the VA. We commend the things that are being done, and express the hope that Congress will continue to support VA's plans with the modest funding needed for this program. Burial in a national cemetery is the final honor the nation can show its veterans, and is a visible manifestation of the esteem in which the American people hold those who have answered the call to service in the Armed forces.

VETERANS EMPLOYMENT AND TRAINING

Mr. Chairman, our statement on the fiscal year 1985 budget for veterans programs would not be complete without mention of these programs designed to assist veterans with employment and training needs. In that regard, it is very disappointing to note the lack of any proposed funding for the second year of the emergency veterans job retraining program authorized by Public Law 98-77.

In failing to propose funds for the second year of this program, VA notes rather arbitrarily that no funding is needed because the purposes for which the program was established have been eliminated. While The American Legion agrees that the

nation has witnessed a rather dramatic recovery from perhaps the most serious recession since World War II, we must insist that it is incorrect to suggest there are no longer any remaining economically depressed areas of the country or any veterans in those areas desirous of utilizing the retraining program.

Moreover, this program has scarcely begun and already there are many more interested veterans applying for it than there are prospective employers to accommodate them. The most recent figures available to us as of January 13, 1984 reveal 20,000 applicants approved as eligible with only 2,500 training positions available.

Our point here Mr. Chairman, is threefold. First, there are enough veterans applying for the program to lead one to reasonably conclude that the purposes for which the program was established have not been completely eliminated. Second, until the program has had an opportunity to become fully operational and adequately promoted in the private sector, it will be impossible to make an accurate assessment of whether or not it is needed. Third, as the recovery from recession continues in concert with the promotion of this program, more and more employers can be expected to come forward and take advantage of a subsidy for assisting veterans by training them. The objective is to reduce the number of unemployed veterans, mostly from the Vietnam Era. With all the protestations of concern for this generation of veterans, we suggest the most practical way to give meaning to that concern is to provide meaningful assistance toward jobs that will make these veterans in fact, economically rehabilitated. In support of the need for this program it can best be demonstrated by the fact that most of these veterans who have used the Outreach Centers are more concerned about jobs than about anything else.

CONCLUSION

Mr. Chairman and Members of the Committee, we have in this statement spoken to a variety of subjects we consider to be of especial importance to the nation's veterans as Congress proceeds to deal with the funding needs for veterans progams for Fiscal Year 1985. The VA Budget Message is a detailed and complex one. Everything in it is imporant to The American Legion and the veterans we represent. Time does not permit us to address each item in detail. We wish to leave the Committee with the understanding that we support the Administration's request for funding of all programs administered by the Veterans Administration. We hope the Committee will give special attention to the problem areas we have identified. As time and opportunity permit, we will be prepared and hope for the opportunity for discussion and dialogue with the Committee about other of the various veterans programs the Committee will be considering during its present session.

We appreciate the opportunity to present our views.

Statement of Stephen L. Edmiston, Deputy National Legislative Director, Disabled American Veterans

Mr. Chairman and members of the committee, on behalf of the more than 840,000 members of the Disabled American Veterans, I would like to thank you, Mr. Chairman, and the members of the Committee for providing us this opportunity to express our views on the VA budget request for fiscal year 1985.

As you know, Mr. Chairman, on behalf of the Veterans Administration, the President is requesting $27.2 billion in budget authority and $26.7 billion in outlays to administer the various programs and services for millions of the nation's veterans and their families in fiscal year 1985. In budget authority, the VA request is approximately $993 million over the fiscal year 1984 estimates, primarily due to increases in the VA medical care and construction accounts.

Overall, Mr. Chairman, the VA budget request for Fiscal Year 1985 is a good one, in large part, we believe, due to the efforts of VA Administrator Harry N. Walters. Through his efforts, the existing levels of benefits and services for our nation's service-connected disabled veterans and their families will not only be preserved, but very slightly improved. In this regard, I would like to take this opportunity to thank Administrator Walters on behalf of the members of the DAV.

While the DAV lends its strong support to the funding request for Fiscal Year 1985, we do have a few serious concerns which I will highlight during the course of my statement.

DEPARTMENT OF VETERANS BENEFITS

While the VA is requesting an additional $5.7 million for general operating expenses, overall employment in the Department of Veterans Benefits (DVB) will de-

cline dramatically in fiscal year 1985—some 800 in average employment. The proposed increase in funding for this account reflects adjustments in uncontrollable non-payroll costs, rent, communications and proposed legislation to increase reporting allowances to schools.

According to the VA, the reduction in DVB personnel is made necessary as a result of the anticipated decline in property management activities due to the elimination of certain loan guaranty functions proposed to be implementd on March 1, 1984 and an anticipated department-wide improvement in productivity.

As you know, Mr. Chairman, the proposed reduction in DVB employees stems primarily from the recommendations of the President's Private Sector Survey on Cost Control—the so called "Grace Commission." Last year the Grace Commission, among other things, recommended that the VA Home Loan Guaranty Program discontinue the policy of acquiring homes when there are foreclosures on agency guaranteed loans.

Quite frankly, the DAV strenuously objects to the scheduled 1985 employment reduction in DVB based upon the Grace Commission recommendations—recommendations that were based upon a cursory examination of the Department's operation and activities.

It has also become quite evident, following the VA Inspector General's audit of the VA's practices following foreclosure of VA guaranteed home loans, that, if adopted, the Grace Commission recommendation in this area will cost the VA $4,500 more per house than does their current practice of acquiring the foreclosed home.

Mr. Chairman, the DAV supports continuation of the VA's current practices following foreclosure of VA guaranteed home loans. And furthermore, the DAV will support providing additional appropriations to the Loan Guaranty Revolving Fund to insure the integrity and financial stability of the VA's Home Loan Guaranty Program should that become necessary.

As we understand it, Mr. Chairman, the change which will be imposed upon the VA's Home Loan Guaranty Program, effective March 1, 1984, originally was to be a government-wide policy. However, such is not the case as certain other federal loan guaranty programs have not had similar restrictions placed upon them—e.g., Farmers Home Administration Loan Program.

We object to such an experiment being made in the VA's Home Loan Guaranty Program—a program which has served both the nation and veterans well for more than 35 years.

Accordingly, we respectfully request that the associated dollar savings and personnel reductions be restored to the VA's Department of Veterans Benefits.

In regard to the productivity improvements the VA believes it may implement in fiscal year 1985, we strongly recommend that the Committee require substantiation of those improvements, rather than permit the practice of wholesale across-the-board personnel reductions that fail to focus on the workloads of individual Regional Offices.

MEDICAL CARE

The Fiscal Year 1985 request calls for an overall funding increase in the VA's medical care account of $563 million—an upward adjustment of approximately 6.86 percent. This increase will allow the VA to hire an additional 2,747 health care employees—primarily to activate new facilities; treat 79,000 more veterans on an outpatient basis; and expand the Hospital Based Home Care (HBHC) Program to 49 medical centers. Also, the VA proposes to expand the Geriatric Research, Education and Clinical Centers (GRECC), bringing the total number of GRECCs to ten.

While we are pleased to see some expansion of the GRECC program and the addition of nearly 1,000 nursing care beds in the system, we are concerned over the lack of growth—artificial "caps," if you will—projected in outpatient and inpatient episodes of care, as well as medical personnel staffing.

Upon close examination of past VA inpatient and outpatient treatment and staffing statistics, it becomes clearly evident there has been little, if any, significant growth of the VA medical care program in recent years. And, quite frankly, the out-year projections reveal the same trend.

Mr. Chairman, this type of health care planning for our nation's veterans fails to acknowledge the growing demand that has been and will continue to be placed upon the VA's medical care system.

This condition, coupled with the fact that costs associated with the VA medical care program have, for many years, failed to keep pace with inflation in health care costs, further underlines the negative growth of the system. For example, this

budget request for the VA medical care program, as I pointed out earlier, reflects a 6.86 percent adjustment over the fiscal year 1984 estimate. Compare this to the 10.4 percent in the cost of hospitalization which occurred during calendar year 1983 in the private medical community. While we agree that the cost of care in VA facilities is cheaper, the VA, in many instances, is subject to the same inflationary spiral as impacts on private sector costs—e.g., cost of medicine and drugs, etc.

Mr. Chairman, we trust that you and the members of the Committee will keep our concerns in mind when you prepare your recommendations to the Budget Committee.

CONSTRUCTION

The VA's Fiscal Year 1985 construction request is up $291 million over the fiscal year 1984 estimate. It is of interest to note that of the $822 million total requested, nearly $760 million is earmarked for the medical construction program. Of this figure, however, only $51 million is slated for nursing home construction.

There is no question that the VA has, in recent years, stepped up the nursing home construction program. However, the program planning for construction of new nursing home beds for providing care to the aging veteran has not, in our view, kept pace with the needs of these veterans.

At this point, we wish to discuss another provision contained in the VA's fiscal year 1984 construction request.

Embodied within this request is a $20 million proposal to establish a "special design" fund.

Mr. Chairman, the VA believes that the establishment of this design fund will eliminate delays and thereby reduce the cost of future major construction projects. The DAV has no objections to such a special fund if, in fact, it will lead to the timely construction of new facilities at a lower cost to the American taxpayer.

Finally, the VA's Fiscal Year 1985 request contains a $17 million increase (over the fiscal year 1984 estimate) in grants for construction of state extended care facilities. This request will provide for an additional 56 hospital beds, 226 nursing home care beds and 126 convertible domiciliary/nursing home beds. The DAV fully supports this request to supplement the VA's nursing care program.

RESEARCH

The DAV is particularly pleased to see the VA fiscal year 1985 request for rehabilitation research up by $3.156 million over the fiscal year 1984 estimate, which includes provisions for an additional 19 employees.

As you know, Mr. Chairman, rehabilitation research in the areas of prosthetics/amputations, spinal cord injury, sensory aids and microcomputer technology have been used to improve the quality of life for seriously disabled combat veterans. Such efforts should be continued and expanded.

Accordingly, we respectfully request your support for the proposed increased funding for the VA rehabilitation research and development program for fiscal year 1985.

Furthermore, Mr. Chairman, the DAV supports the proposed increased funding for the VA's Medical and Health Services Research in fiscal year 1985.

PROPOSED LEGISLATION

The Administration's fiscal year 1985 budget request proposes legislation that would increase benefits by more than $662 million. Most of this funding would provide for (1) an increase of 3.5 percent in the rates of disability compensation and Dependency and Indemnity Compensation (DIC) effective April 1, 1984 and a similar adjustment of 4.3 percent effective April 1, 1985; and (2) an upward adjustment in the subsistence allowances paid to eligible beneficiaries training under the VA's Chapter 31, 34 and 35, Title 38, USC educational programs—15 percent effective January 1, 1985.

Mr. Chairman, the DAV has no objection to the proposed increase in the educational subsistence allowances. However, the DAV is adamantly opposed to the proposed effective date (April 1, 1985) for the cost of living adjustment in service-connected disability compensation and DIC benefits for fiscal year 1985.

As you may recall, Mr. Chairman, last year the DAV agreed to a six month delay in the effective date of the fiscal year 1984 disability compensation and DIC increase, so long as similar delays were made in an even-handed manner among all other federal entitlement programs.

We did not and, quite frankly, will not agree to such a delay for fiscal year 1985. Therefore, Mr. Chairman, we strongly urge you and the members of the Committee to recommend to the Budget Committee a full cost of living increase in disability compensation and DIC benefits for fiscal year 1985 effective December 1, 1984—in line with the agreements reached last year and as recommended in the House and Senate 1983 compensation bills.

EMERGENCY VETERANS' JOBS TRAINING

Last year, this Committee was instrumental in securing passage of Public Law 98-77—the Emergency Veterans' Jobs Training Act of 1983. As you recall, Mr. Chairman, the purpose of the law was "to address the problem of severe and continuing unemployment among veterans" (particularly Korean Conflict and Vietnam Era veterans). This would be accomplished by providing, in the form of payments to defray the costs of training, incentives to employers to hire and train eligible wartime veterans for permanent positions that involve significant training and have career potential.

Additionally, the law authorized appropriations of $150 million for each of fiscal years 1984 and 1985 for the purpose of carrying out the provisions of the Act.

Quite frankly, the DAV rejects the wishful assumption "the economic conditions for which the program was established will have been alleviated," used to justify the decision not to seek funding of the Emergency Veterans' Jobs Training Program for fiscal year 1985.

It is significant to point out, Mr. Chairman, that the rate of umemployment among Vietnam Era veterans over 25 years of age was 6.4 percent in January, 1981 and, as of January, 1984, the rate of unemployment among this group stands at 7.7 percent. This current rate of unemployment represents 62,000 more unemployed Vietnam Era veterans than three years ago.

Even if the Administration's optimistic forecast—that 20,000 unemployed veterans will enter on-the-job training programs in 1984—comes true, that would still leave 42,000 more unemployed Vietnam Era veterans than we had in January, 1981.

Therefore, Mr. Chairman, the DAV urges the Committee to recommend full funding ($150 million) of the Emergency Veterans' Jobs Training Program to the Budget Committee for fiscal year 1985.

VETERANS' EMPLOYMENT PROGRAMS

Mr. Chairman, much like the VA's budget request for fiscal year 1985, the Department of Labor's budget for veterans' employment programs under the auspices of the Assistant Secretary of Labor for Veterans' Employment, is a good one.

The Administration has proposed $12.8 million, providing 282 staff positions which it believes is sufficient to carry out its mission in fiscal year 1985.

The increase in staff positions is partially the result of last year's reorganization when the Assistant Secretary of Labor for Veterans' Employment assumed responsibility for the Office of Veterans' Reemployment Rights.

We are, however, concerned over the lack of funding for two Regional Directors and two secretarial positions. It is our understanding that the Department of Labor is considering the consolidation of its Regional Offices. While we have no objections to improving the government's efficiency, we are concerned that such initiatives may adversely impact on the programs under the jurisdiction of the Assistant Secretary of Labor for Veterans' Employment.

CONCLUSION

In summary, Mr. Chairman, with the exceptions and recommendations set forth in this presentation, the DAV supports full funding of the fiscal year 1985 budget request for the Veterans Administration and strongly supports the Administration's request for veterans' employment programs proposed by the Department of Labor. Again, I wish to thank you and the members of the Committee for allowing us this opportunity to express our views on this very important subject.

TESTIMONY OF LT. COL. DAVID J. PASSAMANECK, USA, RET., NATIONAL LEGISLATIVE DIRECTOR, AMVETS

AMVETS is pleased to present its views regarding the proposed Veterans Administration Budget for the fiscal year beginning on 1 October 1984.

We are grateful for the courageous and articulate professionalism of Harry N. Walters in charting an almost impossible course through the treacherous budgeting

rapids of a fiscally conservative Administration. He has demonstrated his unreserved dedication to the very best interests of America's veterans and their families. Some battles have been lost, but not because this Administrator did not go all the way to advocate the legitimate needs of those who have borne the Nation's arms.

AMVETS appreciates the recommended 15 percent subsistence allowance increase for GI Bill trainees. It is long overdue and most welcome. We believe that the recommendation regarding the operation of the Department of Medicine and Surgery, together with the construction and modernization budget are encouraging and demonstrate that the VA is at least beginning to seriously confront the geriatric problem, the paramount issue for veterans in the late 1980's and 1990's. We are not unmindful, however, of the fact that the increase in allocations for medical care lag behind the private sector by approximately 3 percent. We also deplore the axing by OMB of the sorely needed clinical and nursing home addition to the Philadelphia Medical Center, placing in jeopardy a valuable land grant from the city, which expires in December 1986. That project would have established the only nursing home in Pennsylvania.

The continued drop in Department of Veterans Benefits personnel for the last three years, totaling about 1,500 full-time employees, is most discouraging and emblematic of a serious and unjustified lessening of credibility concerning the measurement of performance and work load within DVB. it also reflects, we believe, an increasingly callous attitude of Administration budgeteers toward applicants for veterans entitlements. We are aware of and appreciate the rear guard defense against this erosion in DVB by Dorothy Starbuck, the Chief Benefits Director, and Mr. Walters. Although the Administrator, in commenting on the Loan Guarantee allocation, has stated that the termination of the practice of VA acquisition of foreclosed properties is still being studied and that he is insisting that similar approaches be taken by other mortgage guarantee programs of the Government as a minimal condition for changing the current practice, the President has officially declared, in presenting the VA budget, that the VA will, in mid-1984 begin the practice of dumping foreclosed properties on the mortgagees. The mortgage bankers assure us that this will result in higher charges to veterans, most probably ending the current "no down payment" financing and, ironically, an average loss to the VA of approximately $20,000. Despite the origin of this policy change, the Grace Commission, it doesn't even appear to be good business, much less a fair shake to the veterans.

The VA budget reflects the refusal of the Administration to fully fund the Emergency Jobs Training Act, just as they have refused to fund and implement the VA's role in Small Business assistance to veterans. Despite the gala celebration attendant to the President's signing the Jobs Act in New Orleans this past summer, they have made it clear that they do not intend to fully carry out the will of Congress concerning this program. We are not amused!

Apart from the specifics of this year's VA budget, AMVETS is extremely concerned with the underlying attitudes of this Administration regarding the relative priority of veterans entitlements within the overall budget, and the earned special place of veterans in our society.

The first step in the logic of those who would fatally weaken our national military capacity and resolve has always been to equate militarily related personnel expenditures with "domestic" welfare programs. Unwittingly, some of our veterans and patriotic groups, in recent years have encouraged this lack of differentiation by expressing their willingness to accept for veterans their "fair share" of across-the-board budget cuts, as if all such expenditures were on an equal footing.

Whether or not cost efficiencies can be legitimately achieved in the area of entitlements for veterans (and we shall certainly try to do so), under no circumstances can the money we spend for veterans entitlements be equated in importance of priority with Social Security, welfare, farm subsidies, or any other income transfer program not related to military service or national defense. During the coming political storms in which the old "guns versus butter" argument will be repeated ad nauseam, it is absolutely essential that the personnel costs of national defense be included as an element of the cost of "guns" rather than "butter". It is also essential that the fiscal conservatives, who usually advocate a strong defense establishment, not seek an easy way out of the budgetary and deficit dilemma by cutting the throats of our veterans.

The recurrent practice of this Administration, as well as many of its predecessors, of grouping veterans programs with other so-called "middle-class entitlements" is not only insulting to veterans but completely inconsistent with the President's obvious concern for the condition of our defense posture. In this connection, the handwriting is on the wall in this budget with the onimous warning from the President that, in order to minimize the need for future tax increases, veterans programs will

be "subject to intensive scrutiny". This Administration simply cannot understand that the cost of people is just as vital to national defense as the cost of hardware and weapons and the cost of people very definitely includes the earned entitlements of veterans. If this were the Armed Services Committee, I would say the same thing about military compensation, active and retired. Although this Presidential budget threatens to take more than a pound of flesh out of the veterans, presumably after the election, no mention is made of possible curbs in the geometrically expanding Social Security benefit, farm subsidies or a hundred other frightfully expensive government transfer and give-away programs which were not earned by military service.

The first responsibility of government is national defense. The entitlements of veterans and the compensation of military personnel, active and retired is a vital part of the cost of that defense. When we cut expenditures, the last thing we should cut is the entitlements in this area. The continued refusal of this Administration to support a World War I service pension is a measure of the tragic lack of understanding of the relationship between veterans programs and national defense.

This concludes my testimony. I welcome any questions.

STATEMENT OF R. JACK POWELL, EXECUTIVE DIRECTOR, PARALYZED VETERANS OF AMERICA

Mr. Chairman and Members of the Committee, it is a privilege for me to speak today on behalf of the members of Paralyzed Veterans of America. I sincerely appreciate this opportunity to address PVA's concerns regarding the proposed Fiscal Year 1985 Veterans Administration budget.

Mr. Chairman, historically, PVA and other veterans' service organizations and individual veterans have had to rely upon the wisdom and energies of this Committee and the Congress as a whole to secure adequate funding for the programs and services administered by the Veterans Administration. Repeatedly, the Congress has had to struggle to add needed funding to proposed budgets that were patently insufficient to meet the needs of the nation's veterans.

This year, as he did last year, President Reagan has submitted a relatively adequate budget proposal. It is PVA's opinion that this is the result of the leadership and efforts demonstrated by the Chairman and Members of the Committee on Veterans' Affairs. You have continuously shown a desire to ensure that funds for benefits and services for the men and women who have served the nation in uniform are adequately provided.

It is a pleasure to be able to come before you and support the Administration's Fiscal Year 1985 budget proposal for the Veterans Administration. The proposed budget authority of $27,246 billion, and budget outlays of $26,694 billion, if accepted by the Congress, will generally preclude the diminution of VA programs. And, the proposal in certain instances such as funding for medical care and construction of nursing homes, represents a real attempt to improve existing VA services and redress past neglect.

While Paralyzed Veterans of America is supportive of the President's Fiscal Year 1985 budget recommendation, there are certain provisions within the proposal we must address. Additionally, the budget proposal raises certain questions in our minds which we feel obligated to raise. Some of these issues stem from not what is in the budget but rather from what is absent.

First, PVA is concerned with the proposed reduction of 800 FTEE's in the Department of Veterans Benefits. We do not oppose such a reduction if veterans will continue to be served in a timely and efficient manner. We recognize that the Department of Veterans Benefits has increasingly sought to upgrade its computer and word processing capabilities. If managerial and technical innovations provide the rationale for the 800 FTEE reduction, we support such cost-efficient efforts. If reduced service to veterans and inordinate delays are to be the result of the personnel reductions, we strongly oppose the proposal.

An additional concern regarding the personnel reductions in DVB is the proposed loss of 136 FTEE through the elimination of property acquisition within the loan guaranty program of the VA. This action is the result of a cost saving recommendation by the Grace Commission, and was to be applied throughout the government. As it is now proposed in the President's Fiscal Year 1985 Budget, only the Veterans Administration would be required to implement this recommendation.

While PVA has been led to understand that the proposed March 1, 1984, implementation date for this new policy will not be met, we are uncertain whether such actions should ever be taken. Several critical questions have not been answered sat-

isfactorily regarding the potential effect such an action might have for the nation's veterans. If this proposal were to be implemented, will potential lenders be as willing to finance homes purchased by veterans. Will foreclosures be accelerated to the detriment of veterans. And, will there be a resultant windfall of profits to be made by private mortgage lenders and insurers at the expense of veterans and the VA? These questions must be answered during consideration of this proposal. A thorough review of this potential action must be made prior to its implementation. And, if such action is to be imposed it should be government-wide. Veterans must not be used as a test to determine the viability and cost effectiveness of this proposal.

Mr. Chairman, the President's Fiscal Year 1985 budget contains a proposed increase of 4.3 percent in the rates of compensation and Dependency and Indemnity Compensation (DIC). PVA welcomes this proposal because we continue to believe that veterans and their survivors must not be subjected to the erosive effects of inflation. However, we must question the proposed April 1, 1985, effective date of this increase. Last year, when we were supportive of the six month delay in increases we were led to believe that all future increases were to commence December 1. At the end of the last session of Congress, the Senate affirmed this position by including it as a provision of S. 1388, the "Veterans Compensation and Program Improvement Amendments of 1983."

Another issue of concern to the members of Paralyzed Veterans of America is the proposal not to fund the second year of the "Emergency Veterans' Job Training Act of 1983." The budget assumption that "No appropriation will be needed in 1985 since the economic conditions which the Emergency Veteran's Job Training Act of 1983 proposed to relieve will have been alleviated" is questionable. Today, there are large numbers of veterans unemployed, and during the first year of the program few veterans have actually secured employment due to the program. PVA trusts that the budget assumption proves to be correct and a viable economy will afford veterans employment. However, with less than eight months remaining in this fiscal year, and significant numbers of veterans still unemployed, the wisdom of eliminating funding for this program seems unwise. If the budget assumption is, in fact, correct, monies for the program will not be utilized: but if the assumption is wrong, then veterans will not have the benefit of this necessary program.

Mr. Chairman, PVA welcomes the President's proposal to continue to provide significant funding for the Veterans Administration's construction programs, particularly the increase in funding for the construction of health-care facilities. The construction budget request of $822 million in new budget authority indicates that this Administration recognizes the importance of adequate facilities, if the VA is to perform its assigned functions. This is particularly true regarding the emphasis on the construction of new nursing home facilities. The needs of the aging veteran population will continue to place ever-growing demands on the VA's health-care delivery system, and it is extremely important that adequate physical facilities be developed and maintained to meet this demand.

Mr. Chairman, the construction proposal is a positive sign; however, it raises several questions. Over the past several years we have seen construction proposed (and even initiated) at sites during one fiscal year, only to be eliminated or postponed the following year. We must question the viability of long-range planning for VA construction. The replacement hospital in Baltimore, Maryland, is an example of a clearly stated need, but the start of the construction process has disappeared from the VA's construction plans. Again, this year, the budget contains no funds for this project.

A second example of projects being defined and initiated only to be later discarded during the budget process is the replacement out-patient clinic in Philadelphia, Pennsylvania. PVA understands that twelve acres of land has been provided free to the VA for this needed facility, with the stipulation that construction commence prior to December 1986. The failure to provide funding during Fiscal Year 1985 for planning and site preparation for this needed facility will most likely result in the loss of this valuable urban property. When a clearly defined need for a replacement facility exists and land is provided free for the facility, it seems financially prudent to fund such a project rather than postpone it and thereby greatly increase the cost in future years.

Mr. Chairman, PVA is pleased to note the proposed increased funding in medical and prosthetic research. Research is of great importance to PVA's members and to thousands of other veterans who have experienced catastrophic disabilities. The proposed increase in rehabilitation research is particularly significant in that developments in this area directly affect the day-to-day lives of spinal cord injured veterans. The VA has long been a leader in rehabilitation research, and continued adequate funding is essential if catastrophically disabled veterans are to achieve maxi-

mum independence. Finally, we are pleased that funding has been provided for increased capital investment for research. The VA needs to replace obsolete, outmoded equipment and facilities, if an environment conducive to modern research is to be maintained.

The importance of research to the VA, individual veterans, and all Americans, cannot be overemphasized. While the VA strives to provide veterans with appropriate, cost-effective health care through the use of improved management initiatives such as the utilization of diagnostic related groups (DRG's), it is research that develops quality care. Available research resources are a distinct asset in attracting professional and medical expertise. Additionally, VA research is a prime motivation for medical schools to maintain an active affiliation with the VA health-care system and insure a growing availability of highly trained, skilled medical professionals.

Finally, Mr. Chairman, I must comment on recent statements by the Director of the Office of Management and Budget. In addressing future budgets and the reduction of federal deficits, the Director has specifically targeted veterans health care as a source of spending and deficit reductions. PVA finds such suggestions to be reprehensible and a disservice to the men and women who have served the nation. While we are commenting on and supporting the President's Fiscal Year 1985 budget we can in no way tolerate consideration of the diminution of veterans' health care in the future. We strongly request that this Committee, as it has done in the past, challenge and rebuke such considerations by the Director of OMB and others who view the provision of services to the nation's veterans as an expedient source for eliminating the nation's fiscal problems.

Mr. Chairman and Members of the Committee, I again thank you for the privilege of appearing before you. This concludes my statement and I will be glad to answer any questions that I can.

STATEMENT OF RICHARD W. JOHNSON, JR., DIRECTOR OF LEGISLATIVE AFFAIRS

The Non Commissioned Officers Association of the USA, representing more than 250,000 associated members from all components of our nation's armed forces, is grateful for this opportunity to present its views on the Veterans Administration Budget Request for Fiscal Year 1985.

The Veterans Administration has requested $27.246 billion in total obligated authority and $26.694 billion for outlay authority. While these amounts are slightly more than four percent higher than FY 1984 figures, they represent little real growth in VA programs. In fact, the true "after inflation" increase in the budget will be consumed by proposed and statutory increases in direct payments to veterans.

Included in the budget is a proposed 15 percent increase in subsistence payments for veterans training under the Vietnam Era G.I. Bill. NCOA encourages the enactment of this proposal which will provide the first increase in this benefit since January 1981. The amount is far from adequate when compared to increases in costs-of-living and educational programs, but it is an indication of the Administration's interest in preserving the program's integrity.

Many other areas of the budget are noteworthy. In fact, the presentation as a whole is commendable in our view. However, the Association has two areas of concern which we implore the committee to adjust.

The first concerns a reduction of $1.11 million and 136 full time equivalent employees (FTEE) in the home loan guaranty program. The reductions presupposed a VA policy change on March 1, eliminating the acquisition of properties following foreclosure and other adjustments in the loan guaranty program. NCOA has been informed by the VA that the anticipated loan guaranty program changes will not be imposed in March. The Association is grateful for this action. Nevertheless, NCOA is concerned about the advisability of allowing the budget request to prevail on the decreasing possibility that the currently proposed changes will ultimately be made. The Association believes it would be more practical to fully budget the program until a decision is reached on whether any changes will be made in the program instead of trying to fund an ongoing program in a supplemental appropriations request. Accordingly, NCOA urges the committee to restore the $1.11 million and 136 FTEEs involved.

NCOA's second area of concern is the absence of an increase in the Servicemen's Group Life Insurance (SGLI) fund sufficiently adequate to support an increase in maximum coverage amounts from the current $35,000 to $100,000. NCOA has supported increasing the maximum SGLI coverage for several years. Two years ago, the House included provisions authorizing coverage increases in the Defense Authoriza-

tion Bill, but those provisions were deleted during the conference on the measure. As a result, the need for an adjustment continues. The Association requests that a sum sufficient to cover an increase in the maximum coverage amount of SGLI be included in the report to the budget committee.

Mr. Chairman, the Association believes the overall budget proposal submitted by the VA is somewhat conservative but fully adequate to meet the needs of veterans in the coming fiscal year. NCOA also believes the VA should be commended on the presentation. Hopefully, this committee will recommend its adoption with the enhancements suggested herein.

Thank you.

STATEMENT OF JOHN F. TERZANO OF VIETNAM VETERANS OF AMERICA

Mr. Chairman, VVA appreciates the opportunity to present our organization's view to this committee on the Administration's proposed fiscal year 1985 budget for the Veterans Administration.

We are pleased to note that the Administration is proposing an overall increase in the VA's budget of just under one billion dollars including increases in compensation and in reasjustment assistance allowances. In particular, we believe the raising of readjustment subsistence for programs for Chapter 34 and Chapter 31 is long overdue, and should have been included in fiscal year 1984 with the raise in compensation.

We do, however, find certain features of this proposed budget unacceptable, and we would like to spend some time today discussing those features.

First, although the proposed budget provides for raising the VA's staff ceiling by 2,231 FTE, the budget also calls for a reshuffling of staff ceilings among the various departments within the VA, particularly the Department of Veterans Benefits and the Department of Medicine and Surgery. Since the budget indicates that D M & S will increase by nearly 3,000 FTE, but the total increase for the VA agencywide is 2,231 FTE, it is obvious that nearly 800 positions in the VA will have to be pulled from other departments to provide for the proposed staff increase in D M & S. And this is precisely the case: Department of Veterans Benefits (DVB) will lose 800 of its' 14,400 staff in FY 85 under this budget. In this regard, VVA is most concerned about the effect of this loss of staff on services to veterans through DVB regional offices. We believe that such a substantial loss of staff will have an adverse impact upon DVB's timeliness in processing claims for benefits. Moreover, the loss in DVB staff is likely to exceed 800 since the staff reductions called for in this proposed budget are based upon DVB's staff ceiling as of September 30th, 1984. This baseline however, is less than DVB's current staffing level since OMB required the department to absorb half of the January 1984 3.5 percent federal pay raise.

Second, VVA is concerned that this budget contains no authorization for additional Vet Center employees, despite the overwhelming, well documented need to expand and enhance the Vet Center Program. In fact, in recent testimony, before the House Government Operations Committee, the Chief Medical Director stated that the only reason for not opening additional centers was the lack of authorization for additional FTE. Indeed, as you are well aware Mr. Chairman, the VA reprogramed an estimated $40 million dollars earmarked for the Readjustment Counseling Program into other VA programs because the FTE positions were not available. Since this Committee, the national veterans organizations, and even the VA itself recognizes the need to expand and enhance the Vet Center program, we would strongly urge this Committee to examine this issue very closely and find out why additional slots were not allocated to the program.

Third, we object most strenuously to the elimination of the second 150 million dollars to fund the Emergency Veterans Job Training Act. OMB states in the budget submission that the second year of funding is unnecessary because of the brightening employment figures for 1985. This reasoning is utterly specious, and betrays a basic lack of understanding of both the law itself and the structural unemployment which exists among Vietnam era veterans which has been a persistant problem for the past 15 years.

We believe it is important to understand that Public Law 98-77 is a program designed to address that structural unemployment. It took nearly a decade for the federal government to realize that unemployment among Vietnam era veterans was not a cyclical phenomenon and could not be finally resolved through counter-cyclical measures. It is disappointing, to say the least, to see that this budget treats Public Law 98-77 as merely another such program. This is especially true in light of

the fact that in 1982 veterans were virtually written out of the Job Training Partnership Act.

It is important to remember, Mr. Chairman, that when Mr. Leath's Subcommittee held the hearings that led to the formation and passage of Public Law 98-77 in early 1983, there were almost one million unemployed Vietnam-era veterans. It was recognized by Members of this committee and the veterans service organizations representatives alike that the $150 million to fund Public Law 98-77 would only service 40,000 to 50,000 participants, however, it was felt that these funds were enough to see whether this was a viable program, which could be funded at a significantly greater amount in fiscal year 1985.

We understand that to date nearly 70,000 Korean conflict and Vietnam era Veterans have been issued certificates of eligibility, and 6,000 employers have applied for program approval. Please note, Mr. Chairman, that these 70,000 veterans are essentially "walk-ins", as there has been little effort to reach out to unemployed veterans. We believe that if the effort were made to reach out to unemployed veterans that this figure could be trebled or quadrupled in short order. The ratio at this time is 10 veterans to every available job. In fact, more veterans have already applied for the program during the first 2 months of its life than there are resources to fund training opportunities for them—and that includes utilization of the entire 300 million dollar authorization. VVA believes that an improving economy is no more likely to bring a final resolution to joblessness to Vietnam era veterans than any other of the economic upswings of the past decade. It should also be noted that brightening economic conditions are not likely to bring back many of the jobs our fellow Korean vets have lost over the past two year period.

The need is clear not only for just $150 million for this program, but significantly greater funding, should this program prove to be successful in the implementation.

VVA has gone on record opposing this budget's proposal to eliminate acquisition of property by the VA on loans on which veterans have defaulted. We believe that this proposal will eliminate any flexibility the VA may have in assisting the homeowning veteran who encounters economic problems, particularly in periods of high unemployment. We are equally concerned that the effect of this proposal will be to chill the mortgage market, making it extremely difficult for veterans, particularly younger veterans, to purchase their own homes. Additionally, we believe that this proposal, inspired by the Grace Commission, is economically shortsighted, developed as it was in response to an anomalous down swing in the housing market and will ultimately cost the federal government more, not less money. The VA's acquisition policy has served the American taxpayer well over the past years. VVA sees no reason to assume that, as the housing market improves, it will not do so again.

Finally, VVA is concerned about the targets OMB has identified for scrutiny during the FY 86 budget process—in particular the veterans health care system. While VVA believes major changes are necessary in the system to provide better quality health care to the service disabled veteran, we are skeptical that OMB secutiny is likely to improve the system. We urge this committee to carefully monitor the situation to insure that service disabled veterans receive the best quality health care. Mr. Chairman, VVA thanks the committee for the opportunity to present our view.

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